




Speech By
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**ELECTRICITY COMPETITION AND PROTECTION LEGISLATION AMENDMENT
BILL; NATIONAL ENERGY RETAIL LAW (QUEENSLAND) BILL**

 **Mr PITT** (Mulgrave—ALP) (4.10 pm): When the LNP was elected in March 2012 they promised to lower electricity bills by \$120 a year. That promise has proved to be hollow. We will never know whether the Premier believed what he was promising to be true or not. All we know is that the government has failed spectacularly to deliver on that promise. In fact, they missed the promise by \$560 a year, with electricity bills rising by more than \$440 a year on average. That is even after the removal of the price on carbon.

I have previously quoted the now Deputy Premier's statement in this place on 22 April 2009 in relation to electricity prices. He stated—

What has happened with electricity prices in Queensland is symptomatic of what has happened with this government in so many other areas. Government members make promises that mean nothing. They set targets that are absurdly ridiculous. They set out with all sorts of theories and propositions that never become reality—that produce the opposite of what was promised when it was introduced into this parliament.

Electricity pricing in Queensland is the responsibility of the government, and that responsibility is exercised by the minister. It is in the legislation. It is in section 90 of the Queensland Electricity Act 1994 and the minister should read it. When every Queenslander opens their electricity bills from this day forward, they should sheet blame home to the minister and the government. It is the government that is responsible ...

Those words perfectly capture the LNP's failures to date on electricity policy. What they promised at the election appears to have meant nothing. They were just words that were designed to help them win an election, not a plan to govern. Except now the LNP has decided that if they cannot deliver lower electricity prices like they promised, with the Electricity Competition and Protection Legislation Amendment Bill 2014, they are now wiping their hands of the situation and aim to get out of the game so somebody else can set the price and so somebody else can wear the blame.

As we have seen time and time again with this government, when they outsource services or government functions, they also try to outsource political responsibility. I am here today to tell the minister and this government that this is one political hot button issue that they cannot divest themselves of, no matter how hard they try.

Before I talk in detail about the changes these two bills may make to the electricity market, I need to set the scene for these reforms. As I said, I fear the LNP is going to use this legislation as an excuse to avoid the blame for rising electricity prices. Just like they have done since taking office, they have blamed somebody else for their failings and shortcomings.

The fact is that electricity bills have gone up under the LNP, after they promised they would go down. Yesterday in this place the Premier said that we had reached the high point of power prices and that 'We will see some very firm downward pressure on power prices from now on.' Well the fact is that Queenslanders have heard it all before. Queenslanders have heard it all before when the LNP promised to lower bills by \$120 a year. Instead, they have gone up by an average of \$442 a year.

Suppose for a moment that we give the Premier the benefit of the doubt, and that he is referring to the tapering off of investment in the transmission network that most agree will likely put some downward pressure on electricity prices. The minister has frequently blamed gold-plating as one of the reasons for increasing electricity bills.

However, when he was asked about this at this year's estimates hearing by the Deputy Leader of the Opposition, the minister was unable to nominate a piece of infrastructure that represented the kind of gold-plating he so often talks about. Maybe that is because the minister is aware that Queenslanders do not consider reliability of supply gold-plating. Maybe the minister realises that Queenslanders do not wish to go back to the old days of dreaded brownouts and blackouts.

For the record, the review of electricity infrastructure spending was commenced by the previous government. It is disingenuous for the government to claim any future downward pressure on prices, as the Premier may have alluded to today, due to this tapering of investment as though it were their idea or the result of any LNP policy. Even if the reduction of infrastructure spending does lead to a flattening of electricity prices in the years to come, it does not let the Premier off the hook for his broken promise to save Queenslanders \$120 each year on their power bills.

The government has also spruiked the reduction in electricity prices caused by the removal of the carbon price. Surely that reduction was not the key plank of their election promise? The fact is that the LNP promised a \$120 reduction in yearly electricity bills knowing full well that the carbon price was in place. Again, the fact that we no longer have a carbon price does not let the Premier off the hook nor does it deliver the promised savings.

This government just does not understand what people are telling them. They cannot accept that cost-of-living issues have gotten worse under the LNP, not better. They have stopped listening. People right across the state are struggling to pay their bills, but it becomes even harder to pay your electricity bill if you do not have a job. Under the LNP there are now 14,200 fewer full-time jobs than when the LNP was elected in March 2012. Those people who have lost their jobs still have to pay their electricity bills.

When the LNP was elected the unemployment rate was 5.5 per cent. Today it is a staggering 6.8 per cent—the highest since 2003. How are the thousands of people who are out of work thanks to this government supposed to afford electricity bills that have skyrocketed under the LNP? We know that many Queenslanders, especially pensioners, are struggling with the rising cost of electricity. Since the LNP was elected, there have been 43,810 residential electricity disconnections due to nonpayment across Queensland. More than 8,800 of those disconnections were pensioners.

Business has also struggled to cope with the massive increases in electricity prices. Since the LNP was elected, 4,031 businesses have had their electricity disconnected due to nonpayment. In the year to the March 2014 quarter, the Queensland Competition Authority reports that retailers fielded more than 55,000 complaints from residential customers and more than 4,000 complaints from business customers.

The Energy and Water Ombudsman's last annual report stated that the number of electricity and gas complaints that have been finalised by that agency has risen from 11,634 in 2008-09 to 13,239 in the 2012-13 year. Billing issues are by far the most common complaint that residential and business customers have with their electricity provider.

We may also be on the cusp of large scale privatisation of electricity generation assets that the government is determined to push through if they win the election. That has not stopped them spending tens of millions of dollars of taxpayers money on getting these electricity assets ready for sale without having asked the question they have made such a virtue of saying they will ask at an election.

The LNP's model for attracting private investors to the transmission network to relieve government debt and future capital expenditure is still unclear and yet to be finalised. What is clear is that our electricity assets currently return to the taxpayer around \$1.5 billion per year. On today's money, that is \$15 billion gone over the next decade. Over the lifespan of the minister's PowerQ document, that is \$45 billion in revenue that will need to be found over the next 30 years. It is against this backdrop—an electricity market in which customers are experiencing major cost pressures and one in which the future ownership of assets is uncertain—that these bills are being debated.

These two bills make major changes to the way the retail electricity market will operate in Queensland, but particularly in South-East Queensland. First I will deal with the National Energy Retail Law (Queensland) Bill 2014, which will introduce the National Energy Customer Framework, the NECF, to regulate the sale and supply of energy, both electricity and gas, to consumers in

Queensland. The NECF is a set of national laws, rules and regulations governing the sale and supply of energy to residential and small business energy customers.

The NECF package has been developed over a period of 10 years, alongside a significant level of consultation with stakeholders at a national level and at a state level by participating jurisdictions. The NECF has three legislative components: the National Energy Retail Law (South Australia) Act 2011, the NERL; the National Energy Retail Regulations, the NER Regulations; and the National Energy Retail Rules, the NER Rules.

The NECF was introduced following consultation by the Council of Australian Governments Energy Council. The NECF brings the whole energy supply chain—that is, wholesale markets, transmission networks, distribution networks and retail markets—under national regulation. The opposition supports the introduction of the NECF, which is the product of many years of work by successive governments across the country.

There will be some transitional restrictions preventing retailers from levying new fees and charges on customers in South-East Queensland on standard retail contracts for two years. These provisions do bell the cat a little and flag that after two years new fees and charges will be on the way for customers.

During the committee investigation, QCOSS supported the transitional provisions, but called for a permanent restriction on fees and charges for standard retail contracts. That submission has been opposed by the retailers who argue that a permanent ban on fees and charges for standard retail contracts would restrict product development and innovation resulting in limited customer choice. Further, they argue that if costs associated with the provision of services or products could not be passed on, then the costs would be spread across the business which may result in higher prices for all customers.

With respect to early termination or contract exit fees, standard retail contracts do not have a fixed period and a consumer can exit the contract at any time without having to pay an early termination fee, or exit fee. However, if a consumer chooses to leave a market retail contract before the term is up, a consumer may have to pay an early termination fee. Both QCOSS and National Seniors Australia submitted that early termination fees acted as a barrier to competition as they prevent customers from responding to price increases by switching to another retailer.

The committee has recommended that the National Energy Retail Law (Queensland) Regulation provide a \$20 cap on early termination fees. That recommendation has been adopted, but even a \$20 fee could be a significant disincentive to people looking to shop around and get the best possible deal. If retailers argue that in order to compete effectively they need to be able to levy exit fees to keep their customers, then they are not really competing.

With respect to late payment fees, the application of the national law and regulations in Queensland will restrict late payment fees in a number of ways. The first restriction applies to regional Queensland customers on standard retail contracts. Late payment fees will only be able to be levied if they have been included in the notified prices, and as late payment fees do not form part of the notified price they cannot be levied. For residents in South-East Queensland, because the bill restricts retailers' ability to introduce any new charges for a period of two years, this includes late payment fees.

The proposed new framework continues the current status of allowing late payment fees on market retail contracts, which customers have agreed to. It should be noted that late payment fees are not charged to customers who have registered with their retailer and entered into a hardship payment arrangement under the provisions of the NERR. Retailers have argued that, if late payment fees were banned entirely, the financial risk associated with an inability to charge late payment fees would be factored into standing offer prices on 1 July 2015 and prices could increase as a result. The opposition does have some problems with that argument because it suggests that the retailers are designing into their business models a reliance on late payment fees, such that, if they were removed, that revenue would need to be sourced or made up elsewhere in the business. It also suggests to me that as soon as the two-year ban on new fees and charges expires retailers may move to introduce late payment fees for residents in South-East Queensland on standard retail contracts.

Another matter that I want to draw the House's attention to is the new way that changes in prices are going to be notified. Currently, all customers are advised of price changes for standard and market retail contracts in their next bill, which is after the price change has come into effect. These current provisions will continue to apply in regional Queensland and there will be no change, but the bill proposes to require retailers to provide advance notice of price increases to customers on standard retail contracts in South-East Queensland. The committee has recommended that retailers

be required to provide at least 10 business days notice of a price increase on all contracts. That recommendation has been accepted and is welcomed by the opposition.

According to retailers, a more prescriptive approach to specifying a time frame and the mechanism for advising customers for particular groups may add to operational costs and put upward pressure on energy prices. This is a spurious argument. Retailers do not make commercial decisions on a whim, and I am sure that a lot of planning, modelling and thought goes into making pricing decisions. Requiring them to notify customers 10 days in advance of any price increase on contracts is the least they can do.

The second bill in this cognate debate is the Electricity Competition and Protection Legislation Amendment Bill 2014, which will amend the Electricity Act 1994 to remove retail price regulation in South-East Queensland and establish a market monitoring regime. The minister will no longer be responsible for setting the price of electricity in South-East Queensland. Electricity retailers will set their own price without any guidance or benchmark from the government. Currently, as the Deputy Premier helpfully pointed out in the quote I read earlier, the Minister for Energy and Water Supply is responsible under section 90 of the Electricity Act 1994 for setting the electricity tariffs for non-market customers across the state. Section 90 states that the minister must, for each tariff year, decide the prices, or the methodology for fixing the prices, that a retail entity may charge its non-market customers. In practice, that responsibility is delegated under section 90AA to the QCA, which assesses and determines prices on behalf of the minister, but the minister is still responsible for gazetting the prices and giving them legal effect.

Under the new arrangements proposed by this bill, there will be no set price for electricity in South-East Queensland. From July 2015 the retailers will set their own prices in competition with one another. So let us look at what may happen in practice. There will be no regulation of the prices retailers will charge. To determine how much they are going to charge their customers in a competitive environment, one will have to look at their inputs. One of those inputs is the wholesale price of power—that is, how much it costs the retailers to buy power to sell on to customers. In reality, the unit cost of producing electricity is fluctuating as the market undergoes rapid changes. Gas is becoming more expensive as LNG plants come online, and demand increases and coal has become cheaper as a result of the federal government's scrapping of any form of carbon pricing. Where renewables fit into this mix is anybody's guess, as the federal government's political posturing and failure to make a decision on the Renewable Energy Target, aided and abetted by the Queensland government, has introduced a great level of uncertainty into the wholesale electricity market.

It was disappointing to learn during the public briefing on the legislation that the department had done no modelling on where the wholesale price of electricity was going in the future. So the department effectively at this point has no idea what will happen, whether the price will go up or down, and what impact that will have on future electricity prices in South-East Queensland. When asked whether the department had done any modelling on how the proposed changes would impact on electricity prices, the answer was no. The department has not modelled the impacts and cannot say whether the price of electricity will go up or down. It is not a very firm knowledge base on which to be making important policy decisions.

The factor that has driven the largest part of electricity price increases in recent years—as the minister has already admitted on a number of occasions—is network costs, and they will continue to be passed through to customers, as will the wholesale cost of electricity. Barring significant drops in the wholesale and network costs, any benefit that could accrue to customers will be at the periphery and probably driven by customers doing a lot of research into their electricity needs and the types of market contracts on offer and being able to find one that suits their specific needs.

I am advised that this was a topic of discussion during the committee hearing, and that even some of the committee members at times struggled to understand the information given to them on their electricity bills. It goes without saying that this is a very difficult area to understand, and a lot of Queenslanders do not have the time to spend researching their electricity costs in that level of detail. So when we talk in broadbrush strokes about what these reforms will mean for consumers, it is because consumers want to understand what it will mean for them. They do not need to be told to go and do their homework and find the best deal for them by a government that admits it has not done the modelling or its own homework to understand where prices are going in the short, medium and long term.

The people who will be impacted the most by these changes are the 30 per cent of people in South-East Queensland who have not signed up to a market contract for various reasons. Those people are more likely to be seniors or people on lower incomes who have difficulty accessing information to make an informed decision on what sort of market contract would be best for them. As

the minister said earlier, the Electrical Trades Union expressed concern in its submission about the welfare of these consumers, and that is a concern I share. There needs to be very careful and serious engagement with those customers to ensure they are not being ripped off by unscrupulous operators. There are certainly savings that can be made if they pick the right market contract to suit them, but I would like to hear a bit more detail from the minister about exactly what the community education and engagement he talks about will include. My understanding is that he is speaking more from a general advocacy perspective rather than an individual advocacy perspective. Perhaps consideration needs to be given to a specialist organisation that can provide consumers with advice, not unlike the Tenancy Advocacy and Advice Service once did for tenants in the private rental market—that is, until it had its funding axed by the Newman government. That consumer advice agency could help people assess their energy needs and usage in order to help get them onto the right market contract for their circumstances.

As I said, it is a very complicated area and some people need a bit more help than others when dealing with contracts that are often very difficult to understand. Confidence is the key, and if people do not feel confident to make the decision then they will stick with their current arrangement as a default.

The Electricity Competition and Protection Legislation Amendment Bill 2014 also establishes a market monitoring regime that will be used to assess the level of competition in the electricity market in the deregulated area. The bill will enable the minister to direct the QCA to provide a written report on the operation of market monitoring in South-East Queensland. This report will provide information to consumers and the government on the effectiveness of market monitoring in South-East Queensland, including the price outcomes for customers. At the public briefing, the department stated—

The Queensland Competition Authority will do a yearly report on price in particular. That report will provide detail of the price outcomes, so there will be visibility about where prices have gone over the introduction of market monitoring, both on standard and on market contracts.

The bill also establishes a limited reserve power to allow the minister responsible for energy to re-introduce price controls in South-East Queensland should competition become ineffective and subject to an independent review. That review presumably will be commissioned on the basis of the findings of the annual market monitoring report. At this stage we are not prepared to support this bill because we do not believe that the government should be able to abrogate its responsibility for setting prices entirely and hand it to the private sector. I quoted some figures earlier about the number of complaints the retailers had received in the past year—it was more than 55,000 and it is trending upwards. I am not satisfied that retailers have earned the trust of Queenslanders that would entitle them to be the sole determiner of electricity prices for the most vulnerable Queenslanders. We do not believe there is enough support for people on standard retail contracts, who will be forced to move onto a market contract.

We also have concerns that the market monitoring regime will do little to make it easier for people to effectively compare prices and make informed decisions. But I am not alone in holding the view that full deregulation should not occur. The minister talked a bit earlier about who is paying puppets of various organisations. Perhaps the minister should ask his own leader what his view about deregulation was. On 16 January 2013 Premier Newman said in the *Cairns Post*—

I believe the electricity assets that we own as a state of Queensland should be owned by the people. I don't support privatisation, nor do I support deregulation ...

Fundamentally, we will not allow the government to simply wash their hands and walk away, because they have failed to deliver on their promise to reduce electricity bills.

One of the issues that has also not been addressed to the satisfaction of the opposition is how electricity prices will be set for regional Queenslanders under Ergon Energy, where 99 per cent of people are on standard retail contracts. I understand that work is still in progress to work out the precise methodology and that the QCA is going to be delegated to carry out the price determination. It would be good to receive an update as to how that work is progressing. I am sure the minister will provide that at the appropriate time.

I have dealt with some of the committee recommendations already, but I will touch briefly on some of those that I have not already mentioned. I note that they have all been accepted. I wish to thank the department and the minister's office for the quick briefing that I received yesterday on behalf of the opposition in terms of the minister's amendments in response to the committee recommendations. In relation to the National Energy Retail Law (Queensland) Bill 2014, the committee also recommended: that the department undertakes additional consultation with consumer groups, including those representing older Queenslanders and people from non-English speaking

backgrounds, to develop suitable tools to equip them to interpret their energy bills; that the department facilitates a discussion between energy retailers and peak consumer groups on the issue of simplifying and standardising energy bills; and that clause 17 of the bill be amended to clarify beyond any doubt the intent of the definition of 'standard meter' in proposed new section 60D(5). The first two recommendations touch on an issue I raised earlier, which is that electricity bills are often very difficult to interpret. Any work that can be done to simplify the presentation and legibility of information will assist consumers to make educated decisions when it comes to their electricity bills. The opposition supports those recommendations and we look forward to seeing some tangible progress and outcomes in the near future.

As I have said, we are supporting the National Energy Retail Law (Queensland) Bill 2014. The original consumer protections proposed by the minister in the bills did not go far enough, but I am pleased that some additional protections have been added on the recommendation of the committee. But we do believe that there are too many unanswered questions to support the Electricity Competition and Protection Legislation Amendment Bill 2014. For the reasons I have outlined we will not be supporting that bill. I have said it before and I will say it again—and for the minister's benefit this has been on the record since May. He can talk all he likes about the ETU and what position they hold. The Labor opposition has a view—we have held it since May—and that is that deregulation of the South-East Queensland electricity market is another step towards privatisation of Queensland's electricity assets. Before the 2012 election—and I will reiterate this for the minister—the LNP said they had a plan to lower power bills and they promised to cut bills by \$120 a year. There was no talk of deregulating prices in South-East Queensland, no talk of depot closures, no talk of job cuts and no talk of asset sales. Since then we have seen bills jump on average by more than \$440. The LNP said they would take responsibility for power prices, but now they are walking away and saying it should be up to private companies to set the prices. As I said earlier, we do not believe that the retailers have earned the trust of Queenslanders to allow full deregulation. For that purpose, I recommit to the fact that we will not be supporting the second of the two bills, as I stated earlier.