QUESTION ON NOTICE

No. 825

asked on Tuesday, 5 June 2007

MR KNUTH ASKED THE MINISTER FOR MINES AND ENERGY (MR WILSON)—

QUESTION:

Will he detail the operations of the Retailer of Last Resort scheme in Queensland under full retail competition, including who the retailer will be and what options past customers of Ergon will have when there is no other available retailer, or an existing retailer no longer offers their services to an area?

ANSWER:

The *Electricity Act 1994* and *Electricity Regulation 2006* (as amended for full retail competition) contain Retailer of Last Resort (ROLR) arrangements which ensure electricity supplies are not interrupted in the unlikely event of a retailer failure.

The *Electricity Regulation 2006* (the Regulation) specifies which retailer is to be the ROLR should another retailer fail. As set out in the Regulation, the ROLR is the retailer that holds an area retail authority over the majority of the ENERGEX distribution area in south-east Queensland.

From 1 July, this retailer is Origin Energy, as Origin Energy is the area retailer for all customers in the ENERGEX distribution area. Origin Energy purchased the Sun Retail business in February 2007 and currently supplies some 800,000 electricity customers in south east Queensland.

However, the Regulation contemplates the possibility that the ROLR may restructure or sell part or all of its business, which is why the Regulation refers to the area retail authority over the majority of the ENERGEX distribution area referred to above. This is to ensure that the largest area retailer in Queensland (excluding the only Government-owned and subsidised retailer Ergon Energy) will always have the obligation to be the ROLR, regardless of changes to individual businesses operating in Queensland.

Area retailers have other special obligations placed on them that general retailers do not, such as the obligation to supply a brand new connection in their area. This is why it is appropriate to choose an area retailer as the ROLR rather than a retailer without a licence over a specific area.

Under the ROLR provisions, Origin Energy would become the retailer for customers affected by a failed retailer located anywhere in the State. That is, if a customer in regional Queensland was to choose to be supplied by another retailer, and that retailer failed, Origin Energy will be the ROLR for the affected regional Queensland customer.

The Regulation also makes provisions for another retailer to be appointed as the ROLR should the area retailer in south-east Queensland, currently Origin Energy, itself fail.

The ROLR provisions ensure that any customer of a retailer that fails will continue to receive their electricity supply. Further, the provisions set out the amount that these customers may be charged for their electricity if their retailer fails. Affected small customers (those consuming up to 100 megawatt hours per annum, which includes households and most small businesses) will be automatically placed on a standard retail contract and pay the regulated prices.

Putting aside the issue of retailer failure, all small customers are entitled to be supplied by their current retailer at the regulated electricity prices on the standard customer contract if they wish. This means that if a customer in regional Queensland chooses to be supplied by a retailer other than Ergon Energy, they can always be supplied at the same price and on the same terms and conditions as they would have if they remained with Ergon Energy. Their existing retailer must supply them at this price and on these terms and conditions if the customer requests.

This obligation on all retailers removes the opportunity for a retailer who wins customers by initially offering them lower prices to then increase the price significantly when the contract ends. The regulated price effectively acts as a price cap on all contracts.