



**Regional
Development**
Australia

FAR NORTH QUEENSLAND
AND TORRES STRAIT INC

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Wednesday 19th February 2014

Dear Sir/Madam

RE: Submission to the AER preliminary Framework and approach for Energex and Ergon Energy.

Regional Development Australia Far North Queensland & Torres Strait (RDA FNQ&TS) welcomes the opportunity to provide comment to the AER on the preliminary positions paper regarding the Framework and approach for Energex and Ergon Energy.

RDA FNQ&TS provides a significant role in strategically facilitating, supporting and promoting regional development to deliver cultural, social, economic and environmental benefits across the region. We work in collaboration with key stakeholders, industry, local government, State and Federal Government and the community to deliver on our broad agenda to secure a prosperous future for the region and its communities. Our work is directed by the Regional Road Map, underpinned by six pillars and delivered through twelve Strategic Priority Packages (please refer to <http://www.rdafnqts.org.au/index.php/rda-initiatives/regional-road-map> for further information).

Pressures on business and community from increasing electricity prices must be addressed. Reform of energy policy and regulatory regimes is required to address complex challenges including regional transmission losses from centralized power generation and the convoluted cross-subsidy arrangements to deliver secure, reliable and affordable energy for the region – its industries and communities. To realize our economic potential, strategic, innovative and regionally based approaches are required. Innovations and improvements in efficiency will continue to improve alternative energy technology opportunities for the region. The long



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term energy future for FNQ&TS will involve a transition from Southern base load power generation to regionally and locally generated and distributed, cost-effective energy.

RDA FNQ&TS and our regional stakeholders recognise the critical importance of securing an affordable energy supply for the growth of the region and to address existing pricing concerns across domestic and industrial consumers. We have been working with Cummings Economics, Far North Qld Organisation of Councils, Cairns Regional Council and other regional stakeholders to build a better understanding of consumer issues and concerns and relevant energy policy processes.

As network prices comprise a key component of electricity costs we are keenly interested in efforts to reduce these, while ensuring a regionally secure electricity supply and supporting effective and appropriate investment in infrastructure. It is an ongoing challenge in understanding the energy regulatory framework and undertake effective approaches to engage and influence these processes. The AER have been very helpful, providing technical and regulatory advice, and are committed to ongoing engagement, providing an example to other regulatory operators and to energy providers.

Our submission is solely concerned with Ergon Energy as the regional energy provider. We provide brief comment on relevant aspects of the paper. We attach our previous submissions to the Federal Energy White Paper process and the Queensland 30 Year Electricity Strategy for your information.

RDA FNQ&TS welcomes the AER Consumer Engagement Guidelines for Network Service Providers and actively encourage AER to promote the need for ongoing, regional engagement with stakeholders by energy businesses. We support efforts from regulators to promote the need for consumer engagement with energy businesses. We note the importance of active engagement between energy businesses and regional communities and industry. RDA FNQ&TS seeks to support and facilitate regional engagement in relevant energy policy processes, including the AER distribution determination.¹

Brief comment on key components of the preliminary Framework and approach:

1) *Distribution service classification*

RDA FNQ&TS have no issues with the proposed classifications noting that we will be guided by the recommendation of FNQ ROC in relation to the classification of street lighting – whether more

¹ With considerations regarding capacity.



appropriate as a negotiated distributive service or preferable to remain as an alternative control service.

2) *Control mechanisms*

We support the AER approach to provide for revenue caps for standard control services and caps on prices for individual services for alternative control services.

3) *Incentive schemes*

We support the objectives of the various incentive schemes.

3.1 Service target performance incentive scheme (STPIS): support the continued application of this scheme.

3.2 Efficiency benefit sharing scheme (EBSS): new to Qld distributors – support the introduction of this scheme.

3.3 Capital Expenditure sharing scheme (CESS): new to Qld distributors – support introduction of this scheme.

3.4 Demand management incentive scheme: support the application of the Demand Management Innovation Allowance (DMIA).

4) *Expenditure forecast assessment guideline*

We note the release of the detailed guideline in November 2013 providing clarity on the range of new tools the AER will employ to assess expenditure forecasting as part of the determination process. RDA FNQ&TS supports a revenue cap, which allows for annual review of forecasts.

Conclusion

RDA FNQ&TS supports continued efforts to improve the energy regulatory framework, including greater transparency around pricing mechanisms, effective demand management strategies, appropriate and efficient investment in infrastructure, and ongoing engagement with regional stakeholders.

RDA FNQ&TS will be contributing to the QCA review of the Uniform Tariff Policy and regional pricing mechanisms as well as continuing to track and engage in the Federal Energy White Paper process. We anticipate the release of the Queensland Government funded scoping studies and market soundings to investigate future options for the sale or lease of all or parts of Ergon Energy (and other government owned corporations) towards the end of the month.² Continued engagement in and contribution to the AER process will form a core part of our continuing energy policy work.

² <http://statements.qld.gov.au/Statement/2013/12/20/advisors-named-for-scoping-studies>



Please do not hesitate to contact me with any queries regarding our submission or to discuss related matters. I look forward to our future engagement with the AER regarding the Queensland distribution determination process to secure positive outcomes for the region's electricity pricing future.

Yours sincerely



Sonja Johnson
CEO
RDA FNQ&TS Inc.

CC:

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Minister for Energy and Water Supply – the Hon Mark McArdle MP

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Attached:

6/12/2013 Submission to the draft 30 Year Electricity Strategy, Department of Energy and Water Supply (Qld).
7/2/2014 Submission to the Issues Paper for the Energy White Paper, Department of Industry (Fed).

