

Lawrence Jennifer

From: Schneider Darren
Sent: Friday, 28 June 2013 3:35 PM
To: Lawrence Jennifer
Subject: FW: North Burnett - Potential closure of Ergon Depots - Due Friday

As requested.

Darren Schneider
A/General Manager
for Director-General

Generation and Fuel
Department of Energy and Water Supply
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From: DART Michael (WB) [<mailto:Michael.Dart@ergon.com.au>] **On Behalf Of** Government Liaison
Sent: Wednesday, 26 June 2013 1:58 PM
To: Ablitt Clay
Cc: ME DEEDI GOC Liaison; Government Liaison
Subject: North Burnett - Potential closure of Ergon Depots - Due Friday

Hi Clay,

Depot locations and staff numbers are below. We would not know the likely impact yet as there has been no consultation on the recommendation at this point. As the recommendations begin implementation there would be extensive consultation depending on the outcome.

Mundubbera (5)
Gayndah (7)
Biggenden (5)
Monto (6)

In addition, our Area operation Manager had a discussion with the Mayor on Sunday in relation to this issue. He was happy with the information received and we have offered to brief him at any time on this issue or other issues of relevance to him and Council.

Regards

Michael Dart

Senior Stakeholder Advisor

Government Relations Team | CaSE | Ergon Energy
P 4153 9843 | s.49 (Bundaberg Office)

From: Ablitt Clay [<mailto:clay.ablitt@dews.qld.gov.au>]
Sent: Wednesday, 26 June 2013 8:46 AM
To: Government Liaison
Cc:
Subject: North Burnett - Potential closure of Ergon Depots - Due Friday

Hi Team

The Minister has been contacted by the Mayor of North Burnett Regional Council regarding possible depot closures as recommended in the IDC report.

Accordingly, can you please provide a written brief to:

- Identify each of Ergon's depots in the area covered by the North Burnett Regional Council
- Identify the number of staff at each depot
- Advise how many of these depots may be impacted by IRP Recommendation 23 (identified below)

| | |
|-------------------|---|
| Recommendation 23 | In the Ergon Energy service delivery area, consideration be given to the adoption of a Local Service Agent model for depots in the range of 8 to 15 employees where there would be improved services to customers, service delivery would be more cost effective and where there is broad support amongst |
|-------------------|---|

If this could be completed and provided to me by COB Friday I would really appreciate it.

Kind regards,
Clay

Clay Ablitt
Network Entities Analyst
for Director-General

Renewable and Alternative Energy
Department of Energy and Water Supply
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Phone: +61 7 303 30549
Email: Clay.Ablitt@dews.qld.gov.au
& deedigo liaison@deedi.qld.gov.au

From: Don Waugh [<mailto:Don.Waugh@northburnett.qld.gov.au>]
Sent: Monday, 24 June 2013 3:33 PM
To: Mark McArdle
Cc: 'deputy.premier@ministerial.qld.gov.au'
Subject: Ergon Energy.

Dear Minister,

After a very genial conversation with your officer, Jeff Somerville, I am pleased to be able to put on paper the situation in the North Burnett in regards to power supply and maintenance. Our Region takes in Biggenden, Mt. Perry, Gayndah, Mundubbera, Eidsvold, and Monto.

At these depots, which range from 40kms. To 70kms. apart, staff at the depots maintain service and supply to the towns and all the rural properties in between. As we take in the major citrus growing area of Gayndah – Mundubbera and small crops at Coalston Lakes where packing sheds operate, as well as major sawmills, and still 30 dairy farms and piggeries which rely heavily on power supply, and would find it extremely difficult to be without power for even one day.

I can say that the crews are on top of any outage very quickly and are most effective and supportive in their approach.

Apart from the apparent effect, the loss of population which would effect businesses and numbers at schools, the decline in population added to decrease in service would severely affect the chance of maintaining population let alone attracting more.

I understand your desire to cut costs and your aim to improve standards, and I am very aware of problems in dealing with unions and awards. However, any way the crews can be retained in the towns and the service and involvement maintained would be beneficial to us.

Kind regards,

Don.

Don Waugh

Mayor

Phone : 1300 696 272

Fax : (07) 4161 1425

Mobile s.49

Email : Don.Waugh@northburnett.qld.gov.au



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Ergon Energy Corporation Limited ABN 50 087 646 062

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Department of
Energy and Water Supply

14 June 2013

Mr Ian McLeod
Chief Executive Officer
Ergon Energy
GPO Box 1090
TOWNSVILLE QLD 4810

Dear Mr McLeod *IAN*

I refer to the briefing provided to you on 14 June 2013 on decisions arising from the government's consideration of the report of its Interdepartmental Committee on Electricity Sector Reform (the IDC), incorporating consideration of the recommendations of the Independent Review Panel on Network Costs (the IRP).

At the briefing you were given a broad overview of the government's decisions on the reform of the electricity sector, responsibilities, timeframes and the proposed implementation processes. As indicated, some of the reforms are closely linked to the outcomes of the government's Queensland Commission of Audit, which was also considered recently.

The government is committed to addressing cost of living issues and promoting the economic development of Queensland, and sees an efficient and effective electricity sector as a vital component of its reform agenda. Accordingly, it is giving a high priority to the implementation of the decisions on which you have now been briefed.

Given the broad focus of the reforms, and the major part the energy Government-Owned Corporations (GOCs) play in the Queensland electricity sector, Ergon Energy corporation will have a significant role in the implementation processes. I look forward to your participation in and contribution to the successful implementation of this significant reform.

The government has accepted or accepted in principle 42 of 45 IRP recommendations. I have enclosed a copy of the relevant IDC and IRP network recommendations and the government's response. This document is embargoed until 10.00 am Sunday, 16 June 2013.

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As the decisions will affect all the GOCs and may have impacts on GOC employees, I request that you undertake consultation with your employees, and relevant representatives, on the key proposed measures impacting on Ergon Energy. I draw your attention in particular to IRP recommendations 18, 22, 26, 29 and 30. I have enclosed a full copy of the final IRP recommendations for your information. This is also embargoed until 10.00 am Sunday, 16 June 2013.

I have been informed that the government will make a public announcement regarding electricity reform on Sunday, 16 June 2013. Therefore I ask that you commence consultation as soon as practical post Sunday, 16 June 2013, with a view to advising the government through the Department of Energy and Water Supply of the outcomes no later than 7 July 2013.

If you require further information please contact Mr Benn Barr, Acting Deputy Director-General, Energy on (07) 3239 0039.

Yours sincerely



Jonathan (Jon) PC Black
Director-General
Department of Energy and Water Supply

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Enclosure – Government’s response to IRP Network recommendations

This document is embargoed until 10.00am Sunday 16 June 2013

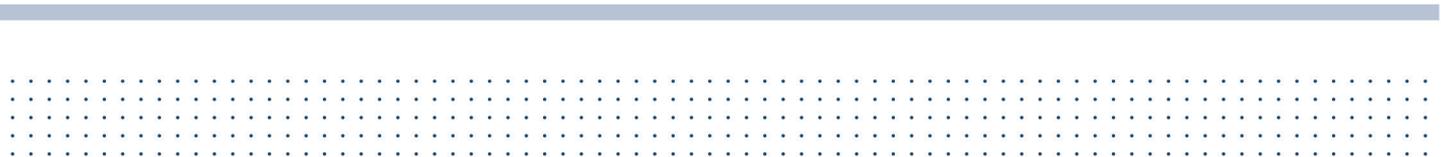
| Part 3 NETWORKS | | |
|--|---|--|
| Section 3.2 IRP RECOMMENDATION | RESPONSE | |
| <p>3.2.1 Replace prescriptive security and reliability standards that drive network over-investment with a more economically derived, outcomes-based approach that better reflects customer expectations and values.</p> <p>Support the direction of the IRP recommendations relating to improving network planning and reliability standards, noting implementation is subject to the outcomes of overlapping national reviews (IRP recommendations 1 to 10).</p> | <p>Accepted</p> <p>The government accepts this recommendation and notes its ongoing participation in national review processes to improve customer outcomes. The government will progress this recommendation through the development of the 30-year electricity strategy with consideration to the outcomes of national review processes.</p> | |
| <p>3.2.2 Support:</p> <ul style="list-style-type: none"> • IRP recommendations 11 to 20 to improve efficiency of indirect cost activities • IRP recommendations 21 to 29 to improve the efficiency of direct cost activities noting the IDC recommends further work for recommendations 25, 26, 27 and 28. | <p>Accepted in principle</p> <p>The government has accepted this recommendation and will refer to the Queensland Commission of Audit Implementation Taskforce for implementation as part of the government response.</p> <p>However, in relation to recommendation 29 of the IRP report (open tender arrangements for supply to the isolated networks), the government notes that consultation will need to occur between Ergon Energy and the parties to its Union Collective Agreement about the likely effect on employees. The government will need to consider the outcomes of the consultation before making a final decision. See also response to IDC recommendation 5.5.7</p> | |
| <p>3.2.3 Establish a holding company to drive a low-cost culture for Queensland’s distribution poles and wires businesses (IRP recommendation 30).</p> | <p>Accepted in principle</p> <p>The government has accepted the benefits of this recommendation as a means to increase the value of efficiency measures being implemented by Ergon Energy and Energex. However, a final decision will not be made until the government has considered the outcomes of the consultation between Ergon Energy and Energex and the parties to their respective Union Collective Agreements about the likely effect on employees.</p> | |
| <p>3.2.4 Support IRP recommendations 31, 34, 35, 36 and 38 relating to Network Regulation and Planning noting the IDC recommends further work in relation to streamlining easement acquisition processes (IRP recommendation 37).</p> | <p>Accepted</p> <p>The government has accepted these recommendations and will refer to the Queensland Commission of Audit Implementation Taskforce for implementation as part of the government response.</p> | |
| <p>3.2.5 Do not support IRP recommendations 32 and 33(a) relating to Network Regulation due to lack of clarity regarding expected benefits from the proposed recommendations.</p> | <p>As part of its review, the Queensland Commission of Audit considered a number of recommendations and findings from the IRP, including planning requirements and demand management.</p> | |
| <p>3.2.6 Push for national reform to improve customer outcomes, including reducing risk for customers in poor demand forecasting.</p> <p>Support IRP recommendation 33(b) in relation to the weighted average price cap (WAPC) proposal subject to further work confirming customer benefits by end September 2013.</p> | | |
| <p>3.2.7 Support IRP recommendation 39, relating to demand forecasting and recommendations 40, 41 and 42 relating to managing peak demand.</p> | | |

3.2.8 Support IRP recommendations 44 and 45 relating to the development of an implementation plan for IRP recommendations.

3.2.9 Push for national reform to improve customer outcomes, including removing issues in economic regulation that do not recognise the importance of the long term interests of customers.

Endorse the recent network regulation rule change and continued efforts to ensure the national regulatory system's calculation of weighted average cost of capital (WACC) does not lead to perverse outcomes.

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Queensland Government response
to the Interdepartmental Committee on Electricity Sector
Reform



In response to rising electricity costs, the government established an Interdepartmental Committee on Electricity Sector Reform (IDC) on 30 May 2012, to scrutinise cost pressures on electricity prices—specifically network costs, electricity supply and retail competition. The IDC was charged with developing recommendations to ensure:

- electricity in Queensland is delivered in a cost-effective manner for consumers
- Queensland has a viable, sustainable and competitive electricity industry
- electricity is delivered in a financially sustainable manner from the Queensland Government's perspective.

The IDC was supported by an independent review panel (IRP) charged with analysing network cost pressures.

The IDC's report recommends urgent reform of the sector.

By 1 July 2013, electricity prices will have doubled for the average household compared with just seven years ago.

The IDC found two main cost drivers:

1. Network costs and revenue. These grew by more than 100 per cent between 2007–08 and 2012–13. The key factors driving these increases were national rules governing the regulation of network businesses' revenue requirements, and high reliability standards. Responses to peak demand (when many people use large amounts of electricity at the same time) have also contributed significantly to network costs and reduced productivity, leading to large amounts of infrastructure being built that are only used for relatively short periods.
2. Climate change policies. The costs of these policies are expected to add around 11 per cent to standard residential bills in 2013–14, or around 15 per cent if you include solar costs.

The IDC also found that the impact of these cost drivers have been exacerbated by:

- an electricity pricing system (tariffs) that has not kept pace with changes in the sector and is not reflective of underlying cost
- a planning framework that does not encourage the most efficient development of new electricity infrastructure.

Central to the government's response are reforms aimed at tackling costs and enabling customers to benefit from a competitive electricity market. These actions will provide the building blocks for a more sustainable sector for customers, industry and government.

The IDC proposes three key strategies for reform:

1. Stop building unnecessary electricity infrastructure and improve the efficiency of network businesses (Energex and Ergon Energy).
2. Maximise the benefits of competition while protecting customers.
3. More effective government.

The reform strategies address cost pressures; build a more competitive market; and reduce risks to customers, industry and government in participating in the sector. In developing the recommendations, the IDC considered the experiences of other jurisdictions and developed strategies that allow the government to maximise the benefits of reform.

Electricity sector reform cannot be delivered at the flick of a switch. However, the IDC's recommendations provide a blueprint for reform that: addresses the unsustainable nature of network costs; maximises the potential benefits of a competitive market; and protects vulnerable consumers as the reforms are delivered.

The government's acceptance of these recommendations provides the platform for ongoing reform of Queensland's electricity sector. The 30-year electricity strategy process will provide industry and the public with an opportunity to provide input into how many of the IDC's reforms will be delivered.

The 30-year electricity strategy is the first of its kind in Queensland. It is being developed in three phases. A directions paper released in late 2012, a follow up discussion paper scheduled for public release in coming months and the final strategy set for release in early 2014.

This will deliver Queensland's first 30-year electricity strategy—a roadmap for how the state's electricity is to be delivered reliably and cost effectively into the future.

| IDC ref | IDC recommendation | Government response |
|--------------------------------------|---|--|
| Part 2 GENERATION | | |
| Section 2.2 GENERATION ISSUES | | |
| 2.2.1 | Continue to monitor the operation of the generation sector, including the impact of both market and external factors. | <p>Accepted</p> <p>The government accepts this recommendation and notes these functions are currently being undertaken as part of normal government business.</p> |
| 2.2.2 | Consult on the conditions for future generation investment and emerging generation technologies. | <p>Accepted</p> <p>The government accepts this recommendation and will progress through the development of the 30-year electricity strategy. This work will be undertaken in conjunction with work to examine the investment practices of government-owned generators under the government's response to the Queensland Commission of Audit Final Report.</p> |
| 2.2.3 | Monitor any emerging issues and support long term security of supply in the North West. | <p>Accepted</p> <p>In 2012, the government made an election commitment to secure energy supply for the North West system (Mount Isa and surrounds). While supply has been secured for the medium term, the government will monitor conditions for this important economic zone.</p> |
| 2.2.4 | Close the Queensland Gas Scheme. | <p>Accepted</p> <p>On 8 March 2013, the government announced that the scheme would close on 31 December 2013 at the end of the 2013 liable year.</p> |

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| 2.2.5 | Remove restrictions on new coal-fired power stations. | Accepted |
| On 8 March 2013, the government repealed the conditions for approving new coal-fired electricity generation. | | |
| 2.2.6 | Publicly rule out any future government investment in the generation sector except as a last resort. | Accepted in principle |
| The government will discuss this issue in more detail in the 30-year electricity strategy. | | |
| Part 3 NETWORKS | | |
| Section 3.2 IRP RESPONSE | | |
| 3.2.1 | <p>Replace prescriptive security and reliability standards that drive network over-investment with a more economically derived, outcomes-based approach that better reflects customer expectations and values.</p> <p>Support the direction of the IRP recommendations relating to improving network planning and reliability standards, noting implementation is subject to the outcomes of overlapping national reviews (IRP recommendations 1 to 10).</p> | Accepted |
| The government accepts this recommendation and notes its ongoing participation in national review processes to improve customer outcomes. The government will progress this recommendation through the development of the 30-year electricity strategy with consideration to the outcomes of national review processes. | | |
| 3.2.2 | <p>Support:</p> <ul style="list-style-type: none"> IRP recommendations 11 to 20 to improve efficiency of indirect cost activities IRP recommendations 21 to 29 to improve the efficiency of direct cost activities noting the IDC recommends further work for recommendations 25, 26, 27 and 28. | Accepted in principle |
| <p>The government has accepted this recommendation and will refer to the Queensland Commission of Audit Implementation Taskforce for implementation as part of the government response.</p> <p>However, in relation to recommendation 29 of the IRP report (open tender arrangements for supply to the isolated networks), the government notes that consultation will need to occur between Ergon Energy and the parties to its Union Collective Agreement about the likely effect on employees. The government will need to consider the outcomes of the consultation before making a final decision. See also response to IDC recommendation 5.5.7</p> | | |
| 3.2.3 | Establish a holding company to drive a low-cost culture for Queensland's distribution poles and wires businesses (IRP recommendation 30). | Accepted in principle |
| The government has accepted the benefits of this recommendation as a means to increase the value of efficiency measures being implemented by Ergon Energy and Energex. However, a final decision will not be made until the government has considered the outcomes of the consultation between Ergon Energy and Energex and the parties to their respective Union Collective Agreements about the likely effect on employees. | | |

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| 3.2.4 | Support IRP recommendations 31, 34, 35, 36 and 38 relating to Network Regulation and Planning noting the IDC recommends further work in relation to streamlining easement acquisition processes (IRP recommendation 37). | Accepted The government has accepted these recommendations and will refer to the Queensland Commission of Audit Implementation Taskforce for implementation as part of the government response. |
| 3.2.5 | Do not support IRP recommendations 32 and 33(a) relating to Network Regulation due to lack of clarity regarding expected benefits from the proposed recommendations. | As part of its review, the Queensland Commission of Audit considered a number of recommendations and findings from the IRP, including planning requirements and demand management. |
| 3.2.6 | Push for national reform to improve customer outcomes, including reducing risk for customers in poor demand forecasting. Support IRP recommendation 33(b) in relation to the weighted average price cap (WAPC) proposal subject to further work confirming customer benefits by end September 2013. | |
| 3.2.7 | Support IRP recommendation 39, relating to demand forecasting and recommendations 40, 41 and 42 relating to managing peak demand. | |
| 3.2.8 | Support IRP recommendations 44 and 45 relating to the development of an implementation plan for IRP recommendations. | |
| 3.2.9 | Push for national reform to improve customer outcomes, including removing issues in economic regulation that do not recognise the importance of the long term interests of customers. Endorse the recent network regulation rule change and continued efforts to ensure the national regulatory system's calculation of weighted average cost of capital (WACC) does not lead to perverse outcomes. | |
| Section 3.3 DEMAND SIDE RESPONSE | | |
| 3.3.1 | Develop a strategy to encourage energy conservation and demand management in Queensland. | Accepted The government accepts this recommendation and will progress in conjunction with the development of the 30-year electricity strategy. |
| 3.3.2 | Develop, in conjunction with Energex and Ergon Energy, new options for discounted tariffs for appliances that distributors can load control to reduce peak demand. | Accepted The government accepts this recommendation and will progress through the development of the 30-year electricity strategy. |
| 3.3.3 | Encourage Energex and Ergon Energy to pursue cost-effective demand-side measures as alternatives to network investment. | Accepted The government accepts this recommendation and notes the State and national process currently underway to develop mechanisms to encourage greater investment in demand-side measures. |

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| 3.3.4 | Maintain requirements on Energex and Ergon Energy to: <ul style="list-style-type: none"> prepare and publish annual demand management plans and report on performance undertake five year demand forecasting. | Accepted The government accepts this recommendation. |
| 3.3.5 | Support national reform measures aimed at making demand management cost effective for Queenslanders. | Accepted The government accepts this recommendation and notes it will continue to pursue national reform measures that are in the interests of Queenslanders. |
| 3.3.6 | Investigate options for government departments to measure and lower electricity costs. | Accepted The government accepts this recommendation and notes the work it is undertaking through the response to the Queensland Commission of Audit to reduce the expenditure of government departments. |
| Section 3.4 METERING REFORM | | |
| 3.4.1 | Support national reform processes to speed up the roll-out of more advanced metering (such as smart meters to support tariff reforms), subject to: <ul style="list-style-type: none"> the outcomes of Queensland-specific cost-benefit investigation consumer protection and privacy issues being addressed. | Accepted The government accepts this recommendation and notes it will continue to pursue national reform measures if they are shown to provide clear benefits to Queensland and protect the interests of customers. The government does not support any mandated roll out of smart meters in Queensland. |
| Section 3.5 ELECTRICITY PLANNING REFORM | | |
| 3.5.1 | Endorse that the Department of Energy and Water Supply (DEWS) and the Department of State Development and Infrastructure Planning (DSDIP) develop a submission on planning issues affecting the electricity sector for consideration by Cabinet. | Accepted in principle The government notes that a submission will be made in coming months on recommended changes to the single state planning policy. The government expects this submission will deal with planning issues affecting the electricity sector. However, the government accepts there may be a need for an additional submission if residual issues remain following finalisation of the single state planning policy. |
| 3.5.2 | Incorporate energy into the state planning policy to support better decisions about what and when new network infrastructure is built. | Accepted The government accepts this recommendation. Under the government's response to the Queensland Commission of Audit Final Report, the government is implementing measures to ensure that necessary planning and specification work is undertaken before major project decisions are made. |

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| 3.5.3 | Encourage stakeholders to continue trialing total energy planning (TEP) practices for new developments. | <p>Accepted</p> <p>The government accepts this recommendation and notes that DEWS is working collaboratively with the DSDIP, Ergon Energy, Energex, local government and land developers to ensure all parties are familiar with the trials being undertaken and their outcomes.</p> |
| 3.5.4 | Ensure government departments are made more accountable for their requirements for network connections. | <p>Accepted</p> <p>The government accepts this recommendation and notes that government departments have been encouraged to engage with Ergon Energy or Energex at the concept phase when government agencies are upgrading or building new projects to ensure the most economical electricity connection/upgrade option is explored.</p> |
| <p>Part 4 PRICING AND RETAIL ISSUES</p> | | |
| <p>Section 4.2 SETTING REGULATED RETAIL ELECTRICITY PRICES FROM 2013–2014</p> | | |
| 4.2.1 | Endorse a 'cost-reflective' approach to setting retail prices over a three-year delegation under the 'Network plus Retail' (N+R) methodology. | <p>Accepted</p> <p>The government accepts this recommendation and notes the Minister for Energy and Water Supply wrote to the Queensland Competition Authority (QCA) in September 2012 delegating authority for setting cost-reflective retail prices over the next three years under the N+R methodology.</p> |
| 4.2.2 | Direct DEWS to investigate and advise on the likely impacts of the QCA Pricing Determinations on consumers and retail competition. | <p>Accepted</p> <p>The government accepts these recommendations and notes that the proposed actions have been completed by DEWS and the QCA. For the 2013-14 pricing determination, the QCA undertook a wide ranging program of consultation including regional and Brisbane based workshops.</p> |
| 4.2.3 | Encourage the QCA to undertake a robust and credible stakeholder consultation process. | <p>Accepted</p> <p>The government accepts these recommendations and notes that the proposed actions have been completed by DEWS and the QCA. For the 2013-14 pricing determination, the QCA undertook a wide ranging program of consultation including regional and Brisbane based workshops.</p> |
| <p>Section 4.3 VERY LARGE CUSTOMERS IN THE ERGON ENERGY DISTRIBUTION REGION</p> | | |
| 4.3.1 | Develop a strategy to transition very large electricity customers onto cost reflective electricity prices. | <p>For further consideration</p> <p>The government supports the targeting of Community Service Obligation (CSO) arrangements to those consumers most in need and notes that work has commenced under the Queensland Commission of Audit Taskforce to support this. However, the government will not break its election commitment to maintain uniform electricity tariffs.</p> |
| 4.3.2 | Consider removing notified prices for very large customers in tranches, starting with the largest customers first. | <p>For further consideration</p> <p>The government supports the targeting of Community Service Obligation (CSO) arrangements to those consumers most in need and notes that work has commenced under the Queensland Commission of Audit Taskforce to support this. However, the government will not break its election commitment to maintain uniform electricity tariffs.</p> |

| Section 4.4 STREET LIGHTS | | |
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| 4.4.1 | From 1 July 2014, pass through 10 per cent of non-energy street lighting charges to Ergon Energy customers whose street lights are owned and maintained by Ergon Energy. | Accepted The government accepts these recommendations and notes that non-energy street lighting charges in the Ergon Energy network are significantly below cost-reflective levels. However, the government recognises that it may be difficult for some customers to pay the true cost of operating and maintaining street lights in the short term, and therefore supports developing a price path to achieving cost-reflectivity for these customers. |
| 4.4.2 | Develop a price path to recover non-energy street lighting charges over time from customers whose street lights are owned and maintained by Ergon Energy, giving consideration to individual customer needs. | |
| Section 4.5 TARIFF REFORM | | |
| 4.5.1 | <p>Reduce network stress caused by periods of very high electricity use by developing and implementing strategies to:</p> <ul style="list-style-type: none"> gradually reform network price structures, including through capacity and critical peak pricing give homes and businesses innovative options to benefit from reducing electricity use at peak times. <p>Develop a long-term tariff reform strategy to deliver more flexible pricing including stronger time-of-use signals, capacity charges and options for vulnerable customers.</p> | Accepted The government accepts these recommendations and notes that work is underway through the 30-year electricity strategy consultation process to determine the most efficient and effective network tariff arrangements. This information will inform the development of a long term tariff reform strategy aimed at providing customers with a greater choice of options, while leading to a more efficient electricity network. |
| 4.5.2 | <p>Give customers the power to choose contracts that reward electricity use with a low-impact on the network (e.g. time-of-use, flexible pricing).</p> <p>Require Energex and Ergon Energy to better support time-of-use options for customers and take a proactive view to reducing peak demand.</p> | |
| 4.5.3 | Improve tariffs over time to support more demand and/or capacity based charging approaches. | |
| 4.5.4 | <p>Address the ongoing cost impact of the Solar Bonus Scheme.</p> <p>Reduce the impact of the Solar Bonus Scheme and the 44 c/ kilowatt hour feed-in-tariff on network costs consistent with the QCA review</p> | Accepted in principle The government accepts this recommendation, noting the high projected impact of solar bonus scheme costs on all electricity users. The government will consider options put forward by the QCA to reduce the impact of the scheme. However, the government will not change the 44 c/kw hour feed-in-tariff for customers. |

| Section 4.6 RETAIL COMPETITION | | |
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| 4.6.1 | Commit to increased retail competition as a key energy policy goal. | Accepted |
| 4.6.2 | To stimulate investment and competition for the benefit of customers, remove price controls in South East Queensland by 1 July 2015 if consumer protection and engagement in the market are judged to be adequate. Agree to replace price controls with price monitoring in South East Queensland by 1 July 2015, subject to the outcomes of recommendation 4.6.3. | The government accepts these recommendations and is committed to contestability whereby government tests the market to ensure it is providing the public with the best possible solution at the best possible price. In this regard, the government is committed to increasing retail competition and removing price controls in South East Queensland by 1 July 2015 providing it can be demonstrated that customers can benefit, and adequate customer protections are in place. |
| 4.6.3 | Consult on a pathway to remove price controls in South East Queensland, including: <ul style="list-style-type: none"> the pre-conditions that would need to be met to ensure customers benefit: a timetable to achieve the conditions the development of alternate customer safeguards (such as the power to re-regulate under certain conditions). | |
| 4.6.4 | Investigate options, including consultation, on how to improve retail competition outside of South East Queensland. | Accepted The government accepts this recommendation and notes that further analysis is underway into delivering the CSO under the government's response to the Queensland Commission of Audit. This may include how current arrangements may need to change to facilitate greater retail competition outside of South East Queensland. |
| Part 5 CUSTOMER ISSUES | | |
| Section 5.2 CUSTOMER ASSISTANCE AND HARDSHIP | | |
| 5.2.1 | Develop a clear and effective hardship and concessions framework informed by public consultation. | Accepted The government accepts the recommendation and supports the targeting of electricity concession and hardship arrangements to those consumers most in need. The government will consult with stakeholders regarding these arrangements as part of the development of the 30-year electricity strategy. Reform of the concessions and hardship arrangements will better target financial assistance provided by government. |
| 5.2.2 | Work with retailers to improve customer participation in retailer hardship programs and improve products to help customers to avoid hardship. | Accepted The government supports enhanced service delivery in the electricity sector and improved assistance to ensure that vulnerable customers have enduring access to essential services. |

| Section 5.3 NATIONAL ENERGY CUSTOMER FRAMEWORK | | |
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| 5.3.1 | Strengthen safety net support for vulnerable customers and reduce red tape by adopting nationally harmonised laws for customer protection. | Accepted The government supports the reduction of regulatory burden on industry. This recommendation will also deliver benefits that flow to customers over long term. |
| 5.3.2 | Implement the National Energy Customer Framework with a target start date of early to mid-2014, subject to SCER agreeing to State-specific variations to support customers outside South East Queensland. | |
| 5.3.3 | <p>Push for national reform processes that improve customer outcomes, including measures that:</p> <ul style="list-style-type: none"> • boost customer engagement • put information about the cost of poles and wires on bills • examine retailers fees and charges. | <p>Accepted</p> <p>The government supports actions that encourage customer participation in a competitive market at the same time safeguarding consumer interests.</p> <p>The government recognises the need for strong and equitable customer protections and will implement a number of key measures to support broader reforms.</p> |
| Section 5.4 CUSTOMER UNDERSTANDING AND ENGAGEMENT | | |
| 5.4.1 | <p>Improve consumer engagement to help customers benefit from discounts and improved products in a competitive market.</p> <p>Publicly consult on options to increase customer engagement in the electricity sector and develop an effective customer engagement strategy.</p> | <p>Accepted</p> <p>The government accepts this recommendation as it will place pressure on retailers to improve their product offerings and become more responsive to customer needs. This will help customers to better manage their energy usage and costs.</p> <p>The government will consult on the best approach to coordinating an engagement strategy as part of the development of the 30-year electricity strategy.</p> |
| 5.4.2 | Note that additional work including market research may be required to identify the most effective options to maximise customer engagement. | <p>Accepted</p> <p>The government will give further consideration through the development of the 30-year electricity strategy to any additional work required to maximise effective customer engagement.</p> |

Section 5.5 COMMUNITY SERVICE OBLIGATION AND UNIFORM TARIFF POLICY

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| 5.5.1 | <p>Develop more effective subsidy arrangements for regional Queensland through reviewing the Uniform Tariff Policy (UTP) arrangements, including:</p> <ul style="list-style-type: none"> • the UTP objective • how large and very large customers are treated in the UTP • how State and Australian government agencies are treated in the UTP. <p>The review should also consider arrangements to manage the removal of retail price controls in South East Queensland.</p> | <p>Accepted in principle</p> <p>The government supports targeting UTP arrangements to those consumers most in need and improving transparency of the CSO. The government notes that work has commenced under the Queensland Commission of Audit Taskforce to support this. These recommendations will be referred to the taskforce for consideration, noting the government will not be breaking its election commitment to maintain uniform electricity tariffs.</p> |
| 5.5.2 | <p>Decide on the scope, process and terms of reference for the review of the UTP recommended at 5.5.1.</p> | |
| 5.5.3 | <p>Address barriers to the growth of retail competition in regional Queensland, including moving towards a network based UTP CSO within three years, in parallel with reform of Ergon Energy Retail.</p> <p>In the short term revise the CSO arrangements to Ergon Energy's retail business to:</p> <ul style="list-style-type: none"> • replace the Long Term Energy Procurement deed • improve monitoring and reporting of CSO cost inputs. | |
| 5.5.4 | <p>Consider options to align Ergon Energy's retail business with a government-owned generator. Considerations to occur in conjunction with a longer term structural reform objective for Ergon Energy's retail business.</p> | <p>Accepted in principle</p> <p>The government is committed to ensuring that the government-owned retail entity runs as efficiently and effectively as possible, noting that on 22 May 2013 the Treasurer announced that Ergon Energy's retail load will be aligned with government-owned generators CS Energy and Stanwell.</p> |
| 5.5.5 | <p>Investigate options for the long term future of Ergon Energy Retail including the feasibility of creating a vertically-integrated entity.</p> | |
| 5.5.6 | <p>Treat the isolated CSO as a separate budget item to improve transparency.</p> | <p>Accepted</p> <p>The government accepts this recommendation and supports the need to improve transparency of the CSO. The government notes that work has commenced under the Queensland Commission of Audit Taskforce to support this. This recommendation will be referred to the taskforce for consideration, noting the government will not be breaking its election commitment to maintain uniform electricity tariffs.</p> |
| 5.5.7 | <p>Initiate an open tender or call for expressions of interest to supply the isolated system in 2014–15.</p> | <p>Accepted in principle</p> <p>The government supports the need to improve the efficiency of network costs and transparency of the CSO. However, a final decision will not be made until the government has considered the outcomes of consultation between Ergon Energy and the parties to its Union Collective Agreement about the likely effect on employees.</p> |

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| 5.5.8 | Introduce additional customer service performance measures to assess Ergon Energy performance. | Accepted in principle |
| | | The government notes the benefits of increased customer service performance for Ergon Energy's retail customers and supports the intent of this recommendation, as long as costs do not outweigh additional benefits. This recommendation will be referred to the Queensland Commission of Audit Taskforce for consideration. |
| Part 6 GOVERNMENT ISSUES | | |
| Section 6.2 ROLE OF GOVERNMENT IN THE ENERGY SECTOR | | |
| 6.2.1 | Publicly consult on the merits of continued government ownership of energy assets for generation and retail. | Accepted |
| | | As noted under the government's response to the Queensland Commission of Audit Final Report, the government does not currently have a policy to sell government businesses, and remains fully committed to seeking a mandate from the Queensland people before divesting itself of any government business. |
| | | As further noted in the response to the Queensland Commission of Audit Final Report in relation to generation and retail assets, the government believes such a proposal is worthy of an open and transparent community debate to establish its viability and to inform stakeholders of the costs and benefits of government owning such businesses, noting these also come with significant financial risks in the context of a modern economy. This work will be progressed by the Queensland Commission of Audit Taskforce. |
| 6.2.2 | Publicly consult on the government's proposed future role and objectives in the electricity sector, including principles to guide decision making. | Accepted |
| | | The government accepts this recommendation and will progress through the 30-year electricity strategy. |
| Section 6.3 STATE GOVERNMENT / NATIONAL ISSUES CROSS OVER | | |
| 6.3.1 | Use the 'Principles for Commonwealth – state / territory intergovernmental activities' as a framework to guide Queensland's ongoing participation in the national energy market. | Accepted |
| | | The government accepts this recommendation and notes that the Queensland Government Principles for Commonwealth–State/Territory Intergovernmental Activities were developed to guide future Queensland Government involvement in Commonwealth-State intergovernmental activities. |
| | | The key objective is to participate in intergovernmental activities which deliver a net benefit to Queensland and that align with Queensland's priorities. |



Section 6.4 AGGREGATION OF GOVERNMENT ELECTRICITY PURCHASES

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| 6.4.1 | Investigate options to measure and lower government electricity purchasing costs. | Accepted |
| 6.4.2 | Direct the Queensland Government Chief Procurement Office (QGCPPO) to investigate the viability of establishing a whole-of-government small sites electricity procurement strategy. | <p>The government accepts this recommendation and notes that the whole-of-government procurement framework is being revised to ensure the State is able to leverage its substantial purchasing power, as well as provide agencies with the flexibility to pursue their own procurement options. Under the government's response to the Queensland Commission of Audit Final Report, the government is undertaking a whole-of-government strategic sourcing review to address:</p> <ul style="list-style-type: none">• opportunities for greater cost savings from a more commercial approach to procurement• administrative costs and burdens for agencies• funding arrangements that provide incentives to the QGCPPO to efficiently manage the costs and benefits of procurement arrangements. |

Section 6.5 TELECOMMUNICATIONS ASSETS

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| 6.5.1 | Investigate the potential to reduce government telecommunications spend by leveraging Ergon Energy's fibre communications network. | Accepted <p>The government accepts this recommendation and notes that under the response to the Queensland Commission of Audit Final Report, the government will rationalise its existing asset base with a view to achieve better value from existing assets (including better sharing of assets across departments). This could be broader than Ergon Energy's fibre communications network.</p> |
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IDC/IRP Recommendations Relevant to the Network Reference Group

Attachment 2

| Issue Group | Section | Section Description | Rec. No. | IDC Recommendation | Government Response |
|----------------|---------|---------------------|----------|---|-----------------------|
| Network Issues | 3.2 | IRP Report Response | 3.2.1 | Replace prescriptive security and reliability standards that drive network overinvestment with a more economically derived, outcomes based approach that better reflects customer expectations and values. Support the direction of the IRP recommendations relating to improving network planning and reliability standards, noting implementation is subject to the outcomes of overlapping national reviews (IRP recommendations 1 to 10) | Accepted |
| Network Issues | 3.2 | IRP Report Response | 3.2.2 | IRP recommendations 11 to 20 to improve efficiency of indirect cost activities. IRP recommendations 21 - 29 to improve the efficiency of direct-cost activities, noting the IDC recommends further work for recommendations 25,26,27 and 28 | Accepted in principle |
| Network Issues | 3.2 | IRP Report Response | 3.2.3 | Establish a holding company to drive a low-cost culture for Queensland's distribution poles and wires businesses (IRP recommendation 30) | Accepted in principle |
| Network Issues | 3.2 | IRP Report Response | 3.2.4 | Support IRP recommendations 31, 34, 35, 36 and 38 relating to Network Regulation and Planning, noting the IDC recommends further work in relation to streaming easement acquisition processes (IRP Recommendation 37) | Accepted |
| Network Issues | 3.2 | IRP Report Response | 3.2.5 | Do not support IRP recommendations 32 and 33(a) relating to network regulation due to lack of clarity regarding expected benefits from the proposed recommendations. | Not Accepted |
| Network Issues | 3.2 | IRP Report Response | 3.2.6 | Push for national reform to improve customer outcomes, including reducing risk for customers in poor demand forecasting. Support IRP recommendation 33(b) in relation to the weighted average price cap (WAPC) proposal subject to further work confirming customer benefits by end of September 2013. | Accepted |
| Network Issues | 3.2 | IRP Report Response | 3.2.7 | Support IRP recommendations 39, relating to demand forecasting and recommendations 40, 41 and 42 relating to managing peak demand. | Accepted |
| Network Issues | 3.2 | IRP Report Response | 3.2.8 | Support IRP recommendations 44 and 45 relating to the development of an implementation plan for IRP recommendations. | Accepted |

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| Network Issues | 3.2 | IRP Report Response | 3.2.9 | <p>Push for national reform to improve customer outcomes, including removing issues in economic regulation that do not recognise the importance of the long term interests of customers.</p> <p>Endorse the recent network regulation rule change and continued efforts to ensure the national regulatory system's calculation of weighted average cost of capital (WACC) does not lead to perverse outcomes.</p> | Accepted |
| Network Issues | 3.3 | Demand Side Response | 3.3.1 | Develop a strategy to encourage energy conservation and demand management in Queensland | Accepted |
| Network Issues | 3.3 | Demand Side Response | 3.3.2 | Develop, in conjunction with Energex and Ergon Energy, new options for discounted tariffs for appliances that distributors can load control to reduce peak demand. | Accepted |
| Network Issues | 3.3 | Demand Side Response | 3.3.3 | Encourage Energex and Ergon Energy to pursue cost-effective demand-side measures as alternatives to network investment. | Accepted |
| Network Issues | 3.3 | Demand Side Response | 3.3.4 | <p>Maintain requirements on Energex and Ergon Energy to:</p> <ul style="list-style-type: none"> - Prepare and publish annual demand management and report on performance. - Undertake five year demand forecasting. | Accepted |
| Network Issues | 3.3 | Demand Side Response | 3.3.5 | Support national reform measures aimed at making demand management cost-effective for Queenslanders | Accepted |
| Network Issues | 3.3 | Demand Side Response | 3.3.6 | Investigate options for government departments to measure and lower electricity costs. | Accepted |
| Network Issues | 3.4 | Metering Reform | 3.4.1 | <p>Support national reform processes to speed up the roll-out of more advanced metering (such as smart meters to support tariff reforms), subject to:</p> <ul style="list-style-type: none"> - the outcomes of Queensland-specific cost-benefit investigation - consumer protection and privacy issues being addressed. | Accepted |
| Network Issues | 3.5 | Planning Reform | 3.5.1 | Endorse that DEWS and DSDIP develop a submission on planning issues affecting the electricity sector for consideration by Cabinet. | Accepted in principle |
| Network Issues | 3.5 | Planning Reform | 3.5.2 | Incorporate energy into the state planning policy to support better decisions about what and when new network infrastructure is built. | Accepted |

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| Princing and Retail Issues | 4.5 | Tariff Reform | 4.5.1 | <p>Reduce network stress caused by periods of very high electricity use by developing and implementing strategies to:</p> <ul style="list-style-type: none"> - Gradually reform network price structures, including through capacity and critical peak pricing. - Give homes and businesses innovative options to benefit from reducing electricity use at peak times. <p>Develop a long term tariff reform strategy to deliver more flexible pricing including stronger time-of-use signals, capacity charges and options for vulnerable customers.</p> | Accepted |
| Princing and Retail Issues | 4.5 | Tariff Reform | 4.5.2 | <p>Give customers the power to choose contracts that rewards electricity use with a low-impact on the network (e.g time-of-use, flexible pricing).</p> <p>Require Energex and Ergon Energy to better support time-of-use options for customers and take a proactive view to reducing peak demand.</p> | Accepted |
| Princing and Retail Issues | 4.5 | Tariff Reform | 4.5.3 | <p>Improve the tariffs over time to support more demand and/or capacity based charging approaches.</p> | Accepted |

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