19 June 2018

Ms. Juliette Gout
Energy Industry Policy – Strategic Futures
Department of Natural Resources, Mines and Energy
PO Box 15456 City East QLD 4002

Dear Juliette

Review of Queensland Energy Legislation

Meridian Energy Australia Pty Ltd and Powershop Australia Pty Ltd (MEA Group) thank the Department of Natural Resources, Mines and Energy (the Department) for the opportunity to provide comments in relation to the review of Queensland energy legislation.

The MEA Group is the owner and operator of the Mt Mercer and Mt Millar Wind Farms as well as the Hume, Burrinjuck and Keepit hydro power stations. The MEA Group also owns and operates Powershop Australia, an innovative retailer committed to providing lower prices for customers which recognizes the benefits for customers of a transition to a more renewable based and distributed energy system.

Set out below are responses to the questions posed by the Department.

Question 1.1: What objectives should guide the design and application of state-based energy legislation?

Queensland state-based energy legislation should focus on ensuring that Queenslanders have access to safe, secure, reliable and affordable energy to meet their needs. The legislation should recognise that many of the activities required in the provision of energy to consumers are subject to either market disciplines in competitive markets or regulatory oversight for monopoly network businesses. In such cases state based legislation should have a minimal role to play.

Question 1.2: How well does the state-based energy legislation align with other laws?

Due to the historic development of the energy industry from state owned single source providers to market based multi-party providers, the existing legislation does have elements which are now not fit for purpose. A large proportion of the works previously done by licensing and other regimes are now more appropriately governed by market mechanisms and regulations (e.g. National Energy Retail Law, National Energy Rules, National Energy Retail Rule, (NECF) Australian Energy Market Operator (AEMO) registration requirements etc.).

Question 1.3: What areas of overlap or duplication exist between state-based energy legislation and other laws? What are the benefits and disadvantages of these?

There is significant overlap which does tend to cause confusion and can create additional costs for consumers. Every effort should be made to ensure that state-based energy legislation does not address issues which are adequately addressed by other laws, rules, markets or regulations to ensure efficiency.
An example of overlap in state-based legislation is grid connection requirements between the states. Further alignment between the various state-based requirements and AEMO requirements will help deliver a consistent national approach, which is consistent with the National Electricity Objective (NEO) “to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers”.

Question 2.1: What do you see as the key role and benefits of state-based licensing of energy businesses?

There is a role for state-based licensing in ensuring that large energy businesses which have the potential to significantly impact customer experience or the environment are subject to appropriate obligations and responsibilities. Given the complexities of licensing processes, state-based licensing may not be appropriate for small energy businesses. Deemed licensing would be more appropriate for small energy businesses given they meet any relevant national/industry criteria or registration requirements.

Question 2.2: What options exist to improve the efficiency and effectiveness of licensing arrangements?

Deemed licenses for small scale installations is one solution to improve efficiency and effectiveness of licensing arrangements. Secondly, adopting standard licenses for the majority of sites would also assist (e.g. standard license with a standard application form for solar farms) in ensuring that only information that is likely to affect the underlying risks of the licensed installation is sought and considered. For example needing to provide significant operational and financial information to satisfy and gain registration from AEMO as a generator should not need to be repeated for a state-based license.

Question 2.3: What entities should be licensed?

Large distribution and transmission networks and generators should be licensed. Ideally other participants should be covered by either deemed licenses or license exemptions.

Question 2.4: Have risks changed in the market that warrant reconsideration of licensing and exemptions?

Yes the move toward distributed generation and embedded networks has highlighted the rapidly changing nature of the market. With the Australian Energy Regulator (AER) registration and exemption regime covering many important issues in this space, there could be significant value in either exempting or providing a deemed license for AER compliant network energy suppliers.

Question 3.1: What do you see as the key role, benefits and disadvantages of Schedule 8 price caps for electricity?

The benefit of price caps for electricity are that it provides consumers with certainty regarding the maximum a retailer or distributor can charge for specific fees for services. The disadvantage is that it has the potential to limit innovation and create potential barriers for new entrants wishing to introduce new services.

Question 3.2: What options exist to improve the efficiency and effectiveness of price protections?

Consideration should be given to allowing customers to agree to a negotiated price with their retailer for services which are not mentioned in schedule 8 to enable the provision of such services.

Question 3.3: Should information gathering powers to inform regional price regulation be widened?

MEA Group has no comment on this.

Question 4.1: In what circumstances should energy entities have a right to enter land or property to access their works/assets?

We support limiting access rights to those necessary to maintain safety and security and only as a last resort where obtaining prior permission is not possible or appropriate.

Question 4.2: Should rights and obligations differ between authority holders or activities?

Resumption rights should only apply to entities which have a requirement to traverse private property to connect significant electrical infrastructure to the wider energy grid.
Question 4.3: What safeguards should apply?

As previously stated access rights should only be used as last resort to ensure safety and security. Rights holders should be required to comply with a code of practice covering matters such as communication with affected land holders, minimising unnecessary impacts, protecting the safety and security of any affected property, coordinating access with other access seekers and insurance and indemnity obligations.

Question 5.1: Is there a need for state-based energy legislation to address emergency powers?

We are not aware of any reason why Queensland would need to make any changes to its current emergency powers regime.

Question 5.2: What do you see as the key role and benefits of emergency powers?

MEA Group has no comment on this.

Question 5.3: What opportunities exist to improve the effectiveness and efficiency of emergency powers or security of supply provisions?

Not applicable given the response to question 5.1.

Question 6.1: Is there a need for state-based energy legislation to address issues of energy efficiency and demand management?

Legislation relating to energy efficiency and demand management no longer serves a purpose on a state-based level and is best dealt with elsewhere at a national level.

Question 6.2: What opportunities exist to improve the effectiveness and efficiency of existing energy efficiency and demand management provisions in the Electricity Act?

We believe these issues are best dealt with at a national level utilising the national energy market processes.

Question 7.1: What key technical issues and risks should state-based energy legislation address?

These are best dealt with at either a national level (NECF and Australian Standards) or connection agreements. There is no need for state-based legislation in this area.

Question 7.2: What opportunities exist to improve the effectiveness and efficiency of technical provisions?

N/A – please see above.

Questions 7.3: How should these risks and opportunities be addressed by the legislation?

N/A – please see above.

Question 8.1: How well do existing offence provisions align with community expectations?

MEA Group has no comment on this.

Question 8.2: What opportunities exist to improve the effectiveness and efficiency of enforcement provisions?

MEA Group has no comment on this.

Question 9.1: What do you see as the key role and benefits of state-based energy legislation customer protection?

The key role and ongoing benefits for customers is state-based harmonisation with national legislation and objectives.
Question 9.2: What opportunities exist to improve the effectiveness and efficiency of customer protections?

The MEA Group has no suggestions on improvement opportunities at this stage. The MEA Group supports alignment with both national legislation and national objectives.

Question 10.1: How well do existing dispute resolution provisions align with community and industry expectations?

In our experience the existing provisions work well from an operational perspective, but they are imposing a significant and unnecessary cost burden on consumers due to the current level of pricing.

Table 1: Comparison of the different ombudsman costs in jurisdictions where Powershop has retail operations.

<table>
<thead>
<tr>
<th>Type</th>
<th>EWOQ Fees</th>
<th>EWON Fees</th>
<th>EWON cost difference</th>
<th>EWOV Fees</th>
<th>EWOV cost difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refer back</td>
<td>$455</td>
<td>$114.24</td>
<td>-$340.76</td>
<td>$73</td>
<td>-$382.00</td>
</tr>
<tr>
<td>Refer to Higher Level</td>
<td>$818</td>
<td>$149.11</td>
<td>-$668.89</td>
<td>$147</td>
<td>-$671.00</td>
</tr>
<tr>
<td>Stage One</td>
<td>$2,335</td>
<td>$673.68</td>
<td>-$1,661.32</td>
<td>$535</td>
<td>-$1,800.00</td>
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<tr>
<td>Stage Two</td>
<td>$4,868</td>
<td>$1,457.06</td>
<td>-$3,410.94</td>
<td>$1,314</td>
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<tr>
<td>Stage Three</td>
<td>Reconciled annually</td>
<td>$3.67/min</td>
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<tr>
<td>WDP Investigations</td>
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<td>N/A</td>
<td>N/A</td>
<td>$5.65/min</td>
<td>N/A</td>
</tr>
<tr>
<td>Annual Participation Fee</td>
<td>$5,000</td>
<td>$5,000</td>
<td>-</td>
<td>$5,000</td>
<td>-</td>
</tr>
</tbody>
</table>

As tabled above EWOQ has significantly higher fees than EWON (e.g. EWOQ is $340.76 more expensive for a referral) and EWOV (e.g. EWOQ is $382 more expensive than EWOV for a referral). EWOQ’s significantly higher participant fees mean that participant’s cost serve is more expensive in Queensland compared to other states.

Question 10.2: What opportunities exist to improve the effectiveness and efficiency of state-based dispute resolution provisions?

Adopting the approach utilised in other jurisdictions where the ombudsman is a company limited by guarantee with involvement of industry and consumer representatives in its governance structures may produce a more efficient and cost effective outcome.

Question 11.1: What would be the benefits and risks of adopting an “Energy Act” covering both the electricity and gas industries in Queensland?

MEA Group has no comment on this.

Question 11.2: What issues would need to be addressed?

MEA Group has no comment on this.

Yours sincerely

Ed McManus
Chief Executive Officer
Meridian Energy Australia Pty Ltd