Review of Queensland energy legislation

Introduction

QCOSS welcomes the opportunity to make a submission to the Review of Queensland Energy Legislation Part 2: Options paper - A consultation paper containing detailed regulatory impact statements, October 2019.

Energy is an essential service. Australia’s energy system exists to serve the community and underpins much of our lives, including heating and cooling our homes, powering medical equipment, cooking food and powering our transport. The overarching purpose of energy legislation should be to support the provision of this essential service in an affordable and fair manner, including to transition fairly to a zero-carbon economy.

It is QCOSS’ view that while unnecessary duplication between state and national energy laws needs to be removed, it is our view that some state government oversight of consumer protections, pricing and regulation is necessary to ensure all Queenslanders continue to have access to fair, affordable and sustainable energy. Consequently, there remains a need to keep broader policy objectives and state powers in the Queensland legislation.

It is also QCOSS' view that distributed energy resources, energy efficiency and demand management are significant opportunities to improve health and affordability for low-income and vulnerable households. These households experience a greater proportional impact on living affordability through energy bills, unhealthy homes and fewer opportunities to participate in a fair transition. Such needs of low-income and vulnerable households are not adequately addressed through national laws and programs, but can be addressed through state-based legislation.

Topic 1 Purpose of state energy laws i.e. Objectives of the Acts

Q1.1 Of the Options considered for this Topic, which one do you prefer?

Multiple choice answer selected: “Option 3”

Q1.2 Why?

QCOSS maintains that energy is an essential service and that Australia’s energy system exists to serve the community and underpins much of our lives, including heating and cooling our homes, powering medical equipment, cooking food and powering our transport. The overarching purpose of energy legislation should be to support the provision of this essential service in an affordable and fair manner, including to transition fairly to a zero-carbon economy. As such, we support Option 3, as it allows for alignment with national energy objectives and stipulation of specific state-based energy priorities.

Option 3 does this the best. Aligning with national energy objectives supports a streamlined system by reducing duplication and complexity. The National Energy Objectives highlight the importance of energy affordability for low-income
households. This is critical as people on low incomes spend a higher proportion on essential services, including energy.

Queensland’s priorities add value as they allow for inclusion of issues of particular importance to Queensland that are missing in the National Energy Obligations including commitment to renewable energy targets, and a fast and fair transition to a zero emissions economy by 2050.

The way in which energy system decision makers contribute to meeting Queensland’s energy needs, including emissions reduction and renewable energy targets needs to ensure the interests of consumers are supported and protected, particularly those that may be experiencing vulnerability, both in terms of costs and participation in the transition. Integration of all objectives and priorities will ensure they are applied uniformly across the state and facilitate innovative and low emissions renewable energy projects and Distributed Energy Resources (DER).

While Option three adds complexity, it must be supported by an effective education and engagement program to address this complexity, ensure consumers are protected and take Queensland on a fast and fair transition journey.

**Q1.3 Thinking of your preferred Option, would you like to suggest any improvements?**

Given limitations of the NEO and state policy aims, QCOSS recommends that the final purpose of energy legislation clearly articulate energy as an essential service and the desired social and environmental aims. For example, we recommend including the word fair in the *Electricity Act 1994* so it reads: “promote fair, efficient, economic and environmentally sound energy supply and use”. Fairness must be a priority to ensure decision-makers and stakeholders include fairness in legislation, policy and programs.

It is QCOSS’ view that the energy sector has greater capacity and opportunity to reduce emissions in a more cost-efficient manner than other sectors. Therefore, it must have more ambitious emission reduction targets than other sectors. As such, we support direct reference to climate change and emission reduction targets, embedding the resilience of communities and the energy sector to climate risks and supporting a fast and fair transition.

We have recently seen adverse climate impacts including recent fires, floods, drought and other natural disasters, and the consequent community impacts due to a downed electricity grid. As such, QCOSS would like to see acknowledgement in the purpose of these pieces of legislation for the need to ensure network stability in the face of increasing climatic risks.
Topic 2 Energy efficiency and demand management

Q2.1 Of the Options considered for this Topic, which one do you prefer?

Multiple choice answer selected: “I do not like any of the options”

Q2.2 Why?

While QCOSS supports removing duplication between the state and national laws, we believe more must be done at a State level to facilitate energy efficiency and demand management, especially for low-income households. Both energy efficiency and demand management are significant opportunities to improve health and affordability for low-income and vulnerable households, a clear area of focus for State Government. These households experience a greater proportional impact on living affordability through energy bills, unhealthy homes and fewer opportunities to participate in a fair transition. Furthermore, there is currently inherent bias in energy efficiency and demand management incentives towards homeowners (and not renters or apartment dwellers). Many low-income households cannot afford the up-front costs, have significantly fewer opportunities than other households to reduce energy usage and costs, and landlords often don’t pay for such products.

Energy Efficiency
The RIS identifies duplication at the level of registration and labelling of energy efficient equipment and products. This duplication is unnecessary and could be removed. However, the State Government has an important role in energy efficiency that would be strengthened by inclusion in legislation. This role includes:

- Development of energy efficiency strategies;
- Regulation of replacement or installation of energy efficiency appliances;
- Regulation of government operations, infrastructure or property
- Targeted energy efficiency programs for low income households, particularly those that rent.

Demand Management
QCOSS believes that the State Government should have regulatory oversight of state demand management plans and should keep its head of power in the legislation to maintain its remit to manage demand management with respect to households. It would be more difficult to change the legislation in future once this head of power is removed. Queensland is regarded as leader in demand management with extensive load control, cash rewards and previous education programs, including PeakSmart. National laws regarding demand management listed in the options paper only deal with distribution network costs, and the savings are not always passed on via retail tariffs. The scope of demand management could be expanded to identify and manage household energy use and respond effectively to tariff reform and wider customer-led requirements to integrate DER to grid. The significance of this level of management will only increase with cost reflective tariffs and new business models.
Topic 7 Price control

Q7.1 Of the Options considered for this Topic, which one do you prefer?

Multiple choice answer selected: “Option 3”

Q7.2 Why?

Energy is an essential service, and as such oversight of pricing is necessary to ensure all Queenslanders continue to have access to fair, affordable electricity. In particular, QCOSS supports the role of QCA in setting both the regional retail price and the regional feed-in tariff. QCOSS would add improved information gathering powers and obligations to require the QCA to calculate actual retail costs from retailers. This would extend to monitoring median energy usage in different regions, which can then be used to for customer impact analysis of tariffs and pricing structures.

QCOSS supports the need for the Queensland Competition Authority to consider options that improve system efficiency and meet customer need, such as fair and affordable pricing. We also support choice, providing that the available retail tariffs and product options reduce costs for customers and lead to emission reductions. There is minimal uptake (0.06%) of time of use volumetric energy and demand tariffs in regional Queensland, and we note that both the Australian Energy Regulator (AER) and retailers themselves have acknowledged only flat and time of use tariffs are usually offered by retailers in deregulated areas. This indicates a need for greater consideration by the Queensland Competition Authority of customer need, and therefore undertake consideration of opt-in cost reflective retail tariffs. Furthermore, the minimal uptake of the time of use demand tariff, suggests a stronger engagement and education program is needed to raise awareness of the opportunity of such tariffs for low-income households.

As the electricity grid evolves, with the need to decarbonise, the development of new technologies and business models, there is an associated need for consumer protections, opportunities and price controls to ensure low-income and vulnerable households do not pay unfair cross subsidies, are not left behind and that the transition is fast and fair.

QCOSS supports the Department of Natural Resources Mining and Energy’s proposal to expand the regional feed-in tariff from 30kW threshold to 100kW, while introducing the requirement to consider system efficiency and customer needs. We believe these reforms proposed in Option 3 will increase tariff choice for regional Queenslanders, can potentially support regional Queenslanders to receive fair payment, and assist Queensland in reaching its renewable energy targets in a just and fair manner. Raising the threshold for regional household energy generation could create opportunities for schools and other small producers for example, who can produce extra energy during their down time on weekends and holidays, putting downward pressure on costs for all consumers.

QCOSS agrees that the feed in tariffs should be technology neutral, but only insofar as such technologies support Queensland to achieve net zero emissions targets. We agree that polluting technologies such as diesel gensets should be excluded.
QCOSS supports the need for the Queensland Competition Authority to consider options that improve system efficiency and meet customer need. We also support choice, providing that the available retail tariffs and product options reduce costs for customers and lead to emission reductions. There is minimal uptake (0.06%) of time of use volumetric energy and demand tariffs in regional Queensland, and we note that both the Australian Energy Regulator (AER) and retailers themselves have acknowledged only flat and time of use tariffs are usually offered by retailers in deregulated areas. This indicates a need for greater consideration by the Queensland Competition Authority of customer need, and therefore undertake consideration of opt-in cost reflective retail tariffs. Furthermore, the minimal uptake of the time of use demand tariff, suggests a stronger engagement and education program is needed to raise awareness of the opportunity of such tariffs for low-income households.

We support aligning the regional pricing and regional feed-in tariff processes, but suggest the timing needs to be considered so as to not clash with other processes that stakeholders are likely to be involved in, or over holiday periods, as happened in the current Recommended Retail Price process. While other bodies could manage the regional feed-in tariffs, the QCA currently undertakes the process, so mandating the QCA to undertake this process to the legislation will result in no real change.

Q7.3 Thinking of your preferred Option, would you like to suggest any improvements?

QCOSS notes that raising the threshold for customers to feed their stored energy back into the grid, but at specific times of need, supports the grid itself. For example, electric vehicles and batteries can provide services to manage the grid in terms of cost effectiveness, reliability, resilience, and safety through load balancing and voltage control. These improvements will in turn reduce the price for consumers. Feed in tariffs should be managed to allow exports only at preferred times and be geographically restricted to areas without reverse flow problems. As such, QCOSS suggest DNRME consider other mechanisms for residential batteries and electric vehicles, such as grid services payments instead of simple volumetric energy related feed-in tariffs or appropriate retail tariff options.

Q7.5 FEEDBACK WANTED Retail products, services and innovation. Stakeholder views are sought on the value of building greater flexibility into retail products and services for regional customers to address new technologies, and how this could be achieved.

In order to provide all households with greater choice and the opportunity to reduce costs, QCOSS supports greater flexibility in regional tariff structures and household demand response programs to lower peak demand prices. QCOSS’ position is that encouraging greater use of solar energy when it is being produced will reduce prices overall, and may reduce the need for peak pricing.

QCOSS notes the emergence of the “duck curve” in energy demand, and negative prices in recent months, as a result of daytime solar energy production. QCOSS supports low daytime demand tariffs that encourage customers to use energy when solar energy is at its highest rate of production – the “solar sponge” effect. Time-based feed-in tariffs can also encourage distributed energy resource producers to use the energy produced during these low-demand, high-production daylight hours.
Such incentives would need to be managed to take account of geographical differences in network capacity.

Over time, such tariff structures could reduce the need for peak pricing as the duck curve is flattened out, and more load is moved to the middle of the day with incentives. Having a low day rate to incentivise solar sponge could also spur further innovation for daytime electric vehicle charging stations for example, if the business case is sufficient.

An additional measure would be for the state energy laws to enable retailers to consider opportunities such as community energy tariffs, as has recently been introduced into the UK energy market. This could also soak up the extra generation from increasing the 30kW feed-in threshold to 100kW.

As previously noted, time of use demand tariff uptake in regional Queensland is low due to poor consumer literacy. QCOSS advocates comprehensive community education and engagement programs to support uptake of these tariffs. QCOSS would like to see greater uptake of solar among renters, and especially on social housing, and access to others who currently miss out on participating in the transition, such as low-income households and apartment dwellers. There are, however, barriers for low-income and vulnerable customers and renters to take up load control tariffs. These include needing permission from the landlord or agent and having to pay separately for electrician to put the appliances on a different circuit. These barriers must be removed. There should also be no extra charge for the take up of such tariffs over and above what they will have to pay in metering charges for smart meters.

State energy laws should also facilitate the development of virtual power plants. These are economically efficient, serve to stabilise the grid and create collaborative income generation streams for households otherwise excluded from investing in solar assets. Virtual power plants also potentially allow low-income households to collectively negotiate better energy offers. We saw the recent example where batteries on social housing in South Australia stabilised the electricity grid when Queensland’s Kogan Creek coal-fired power station tripped. Virtual power plants could be supported through cheaper tariffs to incentivise participation in virtual power plant programs.

Finally, when digital meters are being installed, households should be asked if they want to enable the load control at the same time, to facilitate uptake of these tariffs. This would also allow monitoring to identify if a customer is in fact better off under the different tariffs. This, along with other tariff options, could also ensure customer needs are met by giving regional customers more choice in the absence of retail competition in regional Queensland.
**Topic 8 Dispute resolution**

QCOSS has submitted our comments through the separate Embedded Networks submission process.

**Topic 9 Customer protections**

Q9.1 Of the Options considered for this Topic, which one do you prefer?

Multiple choice answer selected: “Option 3”

Q9.2 Why?

The current Electricity Distribution Network Code, which outlines the GSLs, establishes rules for wrongful disconnections, connection and reconnection timeframes, appointments, planned interruptions, and the duration and frequency of interruptions to supply. General Service Levels (GSLs) should be designed to provide financial recognition small customers for poor customer service and reliability. The legislation currently gives scope for GSLs to be made to apply to energy entities (i.e. generators, transmission entities, distribution entities) and special approval holders, but in practice they are applied to distribution entities only.

As with QCOSS’ submission to the General Service Levels (GSLs) consultation (Dec 2018), QCOSS supports GSLs being extended to retailers. As such, QCOSS does not agree that the review only focusses on GSLs matters raised by the QCA as requiring consideration in legislative review. The matters QCOSS would like to raise with respect to GSLs include wrongful disconnection by retailers and retailer-initiated planned interruptions for installation and other metering work, especially as retailers are now responsible for metering services (previously the responsibility of distribution providers).

GSLs should compel retailers (or distributors) to compensate customer when agreed service levels are not met. This is to acknowledge the inconvenience and in some cases economic impact (food waste etc.) of poor or incorrect service. This is a particular issue in regional Queensland where it can take days before reconnection is made in remote areas.

Furthermore, QCOSS advocates for the continuation of the head of power to assign GSLs obligations to retailers. All on-sellers should be included in the GSL head of power (excluding options such as behind the meter, which is covered under Australian Consumer Law (ACL). The same obligations that applied to distributors should now apply to retailers. QCOSS has advocated for GSLs for wrongful disconnection by retailers in particular, as this can cause serious social and health detriment to customers. The QCA review concluded that competition already acts as an incentive for improved service by retailers, however retail competition only exists in South East Queensland, and not regional Queensland, so regional customers cannot switch retailers if they are wrongfully disconnected. Further, there must be disincentives on retailers for wrongful disconnections.

GSLs for retailers and on-sellers may become more important with new business models for electricity supply, some of which may not fall under the Australian Consumer Law (ACL). Some of these models, many of which will involve retailers
and third parties, are still being developed and evolving, and therefore their potential impacts are as yet unforeseen.

QCOSS recommends establishing a register of embedded networks Queensland to assist in the efficiency and accountability of retailers who service embedded networks, and large on-sellers.

Regarding concession agreements with retailers, QCOSS agrees with Option 3 and sees minimal administrative or financial risk to small on-sellers as the Queensland Government pays administrative charges. On-sellers are also already meant to administer concessions and rebates on behalf of customers under national laws and guidelines. It is however arguable that there will be a higher per unit administrative cost for smaller providers as they cannot achieve the same economies of scale as the larger providers and provisions should acknowledge this. This would help to achieve equity for customers between the more traditional forms of supply and future ones.

**Q9.4 FEEDBACK WANTED** Electric vehicles. Stakeholder feedback is sought on the advantages, disadvantages and risks of including electric vehicle customers within the definition of a customer.

Transport is an essential service and adapting new funding models and new technologies must be fair and inclusive. The future of electric vehicles is unknown it can be reasonably expected that electric vehicles will be owned by an increasing number of households, including low-income and vulnerable households, increasing the energy usage of those households, and increasing the impact on the network.

Any legislative changes in regards to future operations of election vehicles must consider the need for effective consumer protections, consider cost implications including the application of concessions and support equity of access.
About QCOSS

We are QCOSS (Queensland Council of Social Service), Queensland’s peak body for the social service sector.

Our vision is to achieve equality, opportunity and wellbeing for every person, in every community.

We believe that every person in Queensland – regardless of where they come from, who they pray to, their gender, who they love, how or where they live – deserves to live a life of equality, opportunity and wellbeing.

We are a conduit for change. We bring people together to help solve the big social issues faced by people in Queensland, building strength in numbers to amplify our voice.

We’re committed to self-determination and opportunity for Aboriginal and Torres Strait Islander people.

QCOSS is part of the national network of Councils of Social Service lending support and gaining essential insight to national and other state issues.

QCOSS is supported by the vice-regal patronage of His Excellency the Honourable Paul de Jersey AC, Governor of Queensland.

Join us to mobilise a force for equality, opportunity and wellbeing. To join visit the QCOSS website (www.QCOSS.org.au).

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