



The Hon Dr Anthony Lynham MP
Minister for Natural Resources, Mines and Energy

Our ref: CTS 28455/17

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Mr Neil Laurie
The Clerk of the Parliament
Parliament House
George Street
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Dear Mr Laurie

Thank you for your letter of 9 October 2017, forwarding for response petition 2790–17 (the petition) as tabled in the Legislative Assembly on 10 October 2017. I note that the Honourable Mark Bailey MP tabled an interim response during the subsequent caretaker period.

The petition draws to the attention of the House the failure of the “National Energy Market” (NEM) to deliver reasonably priced electricity to the Queensland community.

To reduce electricity prices, the petition proposes taking Queensland out of the NEM and the rules which govern it, changing the method for calculating electricity prices to a cost-plus basis and allowing the government to set the profit margin annually to ensure transparency and accountability.

Electricity markets globally are facing challenges of affordability, reliability and sustainability. In Australia, these are being addressed through COAG Energy Council led reforms including those arising from the recent Independent Review into the Future Security of the NEM, undertaken by Dr Finkel.

While I would agree the NEM has not always worked effectively and the Queensland Government is particularly concerned about the federal government’s continued failure to deliver an effective national emissions policy, we are still willing to work with all jurisdictions through the COAG Energy Council to ensure Australians have access to reliable and affordable electricity supply.

In relation to the concerns about the methodology for calculating electricity prices, it is important to note that the Queensland Competition Authority (QCA) determines regulated electricity prices for consumers in regional Queensland. In determining the prices, the QCA uses a cost build-up approach, which factors in the different costs of supplying electricity, such as the cost of generating electricity, transporting electricity across the poles and wires, and selling electricity to consumers. The QCA also includes an allowance for retail margin, which reflects the return to investors for retailers' exposure to systematic risks associated with providing retail electricity services. Importantly, the QCA consults on its price setting methodology each year, which allows stakeholders an opportunity to input into the process.

While electricity prices are deregulated in the competitive South East Queensland market, consumers are generally able to secure offers consistent with, or lower than, the regulated rate in regional Queensland.

I would also like to highlight the specific actions the government is undertaking to place downward pressure on electricity prices for Queensland consumers.

We have announced and are implementing our *Powering Queensland Plan* which supports our transition to a 50 per cent renewable energy target by 2030, creates new investment and jobs in the renewable energy sector, and continues to effectively use our state-owned coal and gas generation assets.

One of the first actions under the *Powering Queensland Plan* was to reinvest \$770 million in dividends from our state-owned electricity businesses to keep average household price rises to 3.3 per cent this year, lower than any other mainland state in the NEM, some of which have seen prices increase by up to 20 per cent.

Actions under the *Powering Queensland Plan* will continue the downward pressure on electricity prices in the short, medium and longer term. Directing government-owned generator Stanwell Corporation to undertake strategies to place downward pressure on wholesale prices had the immediate effect of lowering average electricity wholesale prices and electricity futures contract prices in Queensland, and this will be bolstered by the Swanbank E Power Station, a gas fired power station, which returned to service in January 2018. Further information about our *Powering Queensland Plan* is available at www.dnrme.qld.gov.au/energy/initiatives/powering-queensland.

On 22 October 2017, the Queensland Government announced its \$300 million Affordable Energy Plan which continues to support households and businesses to achieve real energy savings. We can only deliver this plan because the Queensland Government made the right decision to keep its electricity assets under government ownership. The dividends from our state-owned assets will be used to support this plan. Further information about our Affordable Energy Plan is available at www.dnrme.qld.gov.au/energy/initiatives/affordable-energy-plan.

The Queensland Government is absolutely committed to delivering a sustainable and affordable energy future for all Queenslanders. My role at the COAG Energy Council is to continue to press for change and reforms that enables our economy to grow and our environment to be clean and safe.

I would be pleased if you would arrange the tabling of this response under Standing Order 125(3). Any enquiries regarding this response can be referred to Mr Paul Woodland, Chief of Staff, on telephone 3719 7360.

Yours sincerely



Dr Anthony Lynham MP
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