

ELECTRICITY AMENDMENT BILL 1997

EXPLANATORY NOTES

GENERAL OUTLINE

Objectives of the Legislation

The objective of the Bill is to amend the *Electricity Act 1994* (the Act) to—

- facilitate the restructuring of the electricity supply industry, and
- address difficulties faced by Powerlink Queensland in securing land tenure for transmission lines traversing State Forest land.

Reasons for the objectives and how they will be achieved

Restructuring of the Electricity Supply Industry

On 17 December 1996, the Government announced its strategy to reform the Queensland electricity supply industry. The strategy involves:

- an interim Queensland electricity market commencing in the last quarter of 1997;
- large electricity customers (using more than 40 Gwh a year) becoming contestable from 1 January 1998;
- establishing effective competition in the generation sector by disaggregating AUSTA Electric into three independent and competing government-owned generators; and
- creating three new retail corporations while retaining the seven existing regional electricity corporations as distributors.

The objective of the reforms is lower electricity prices that increase Queensland's economic competitiveness and attractiveness as a site for industry development and which provide opportunities for employment growth in the State.

The restructured Government owned electricity supply industry is scheduled to operate from 1 July 1997. The Government is working to this timetable to enable the new Government owned corporations (GOCs) to operate for the whole of the 1997/98 financial year and to ensure that they are established sufficiently in advance of the market's commencement to undertake necessary planning and development for market operations. Delay in the industry's restructuring will delay the market's start and the introduction of customer contestability.

From the date of the implementation of the restructure until the market's start, the restructured industry will be required to operate the electricity supply system under the current legislative and regulatory framework. The amendments to the *Electricity Act 1994* (the Act) that are proposed in the Electricity Amendment Bill 1997 are required to give effect to these interim arrangements. The amendments are discussed below.

Establishment of Distribution Entities and Retail Entities

In the Act, the concept of supply covers both the distribution of electricity through a network of wires and the retail of electricity to final customers.

The Act currently provides for participation in the industry of supply entities, who receive their authorities from the Regulator, and authorised suppliers, who receive their authorities from a supply entity. This arrangement is to support the Queensland Transmission and Supply Corporations (QTSC) role as a holding company for the seven electricity corporations that currently undertake supply. QTSC holds a supply entity authority and has issued these seven subsidiary corporations with authorised supplier authorities.

This arrangement is suitable in the current system where there is no retail competition. However, in the competitive market, the supply sector will be separated into distribution and retail to ensure that effective retail competition is established. The concept of supply in the Act is therefore separated in the Bill into two new concepts: distribution and retail.

Consequently, the Bill also provides for the Act to be amended to replace supply entities and authorised suppliers with distribution entities and retail entities. The Bill also provides for distribution and retail authorities (ie. licences).

The Act imposes on supply entities and their authorised suppliers an obligation to supply electricity to customers within their supply areas who request to be supplied. The introduction of the concepts of distribution and retail requires the obligation to supply to be separated into an obligation to connect and supply, to be imposed on distributors, and an obligation to sell, to be imposed on retailers. It should be noted that, in connect and supply, “supply” refers to the conveyance of electricity through the wires of a supply network and the physical delivery of electricity to a connection point. These new obligations will ensure that service quality to customers is not diminished.

The obligation to connect and supply requires distributors to connect to the network customers within their distribution area who request to be connected and whom it is technically and economically practicable to connect. In remote areas, where the cost of connection is prohibitively high for most potential customers, the Government may choose to provide a connection subsidy through Community Service Obligation payments. This means that remote customers will have at least the same level of service in relation to network connection that they have at present.

The obligation to sell will require retailers to sell electricity to non-contestable customers within their retail area who are connected to the network and who request to be sold electricity. This obligation will maintain the existing arrangements.

In addition, the Bill requires distributors and retailers to develop standard customer contracts, and protects consumers by enabling regulations to be made that set down required terms for the standard contracts. While the standard contracts will be public documents, they are to be developed for oversight and enforcement by the regulator to protect customers. Customers will not be required to formally sign a contract with a distributor or retailer (unless they choose to negotiate a non-standard contract, see next paragraph). It is expected that the majority of customers will continue to do all their business (that is, connection to, and supply from, the supply network and purchasing of electricity) through their retailer by telephone.

However, the Bill also provides a range of customer choice that is appropriate for the forthcoming competitive market. Given the separation of the distribution and retail functions, it is appropriate that customers be able to choose to deal separately with distribution and retail service providers. Therefore, while customers may use a retailer to access all distribution and

retail services under a standard contract, they may choose to deal separately with distributors and retailers and also negotiate non standard contracts with each.

Transitional Electricity Entity Authorisation Provisions

Section 22 of the Act provides for electricity entities (which may be Government or privately owned) to operate in each sector of the industry. To be an electricity entity, an organisation must obtain from the regulator an authority to operate in a particular sector of the industry. For example, an organisation wanting to generate electricity must obtain a generation authority to make it a generation entity.

Upon the restructuring of the industry, the relevant authorities from the regulator will not have been issued. The Bill proposes that this problem be overcome by inserting in the Act transitional provisions which provide that each of the specified entities is deemed to hold an authority until issued with one by the regulator on terms approved by the Minister.

Ministerial approval of the initial authorities issued by the regulator is to ensure the co-ordinated application of any new regulatory criteria that will be established by the Government prior to the commencement of the market. It would not be appropriate for such Ministerial control of the industry's regulatory arrangements to be maintained for more than a short term. Therefore, the transitional provision that establishes this Ministerial power will expire twelve months after its commencement. This will ensure that, once the reforms are implemented, there can be no actual or perceived political intervention in the regulation of the market.

Separation of Industry Framework Arrangements and Corporate Governance

The existing electricity GOCs are established in regulations made under the *Government Owned Corporations Act 1993* (the GOC Act). However, while the regulations under the GOC Act establish their corporate powers, the Act sets out the electricity supply industry functions of the corporations.

The new corporations will not be able to operate the electricity supply system effectively if the existing corporations functions are not repealed. The Bill therefore provides for the repeal of the sections of the Act which set out the existing corporations functions.

The corporations will be established with their functions and powers entirely under GOC Act regulations. Consistent with corporatisation policy, this arrangement will clearly establish the Act as the framework through which any public or private entity must seek authority to participate in the electricity industry.

Other Matters

The Bill provides for a power enabling the Ministers administering the Act and the GOC Act to direct a State electricity entity in regard to the restructuring of the industry and implementation of reform. The power will ensure that the reform process continues smoothly once the new corporations are established, and in accordance with Government policy.

The Ministers' power is to be used solely to facilitate the reform process, and not to interfere in the general commercial operations of the electricity corporations. The power is for a specific purpose and does not indicate a change to the Government's policy underlying the corporatisation of the electricity industry.

Chapter 12 of the Act provides for a range of matters in respect of State electricity entities. It is appropriate that new entities which will not be State electricity entities but which have been business units of existing State electricity entities, be covered by section 256 and section 262 of Chapter 12 of the Act. Section 256 provides an exemption for State electricity entities from the application of the *Freedom of Information Act* and the *Judicial Review Act 1991*, while section 262 deals with superannuation for industry employees. Proposed section 259A provides for this coverage through the making of appropriately focussed regulations.

Land Tenure for Transmission Lines

Powerlink Queensland which manages the State's transmission grid, should have access to the widest possible range of route options for the development of extensions to the grid. The corporation has, however, experienced difficulty in securing land tenure for transmission lines traversing State forest land. These difficulties have caused problems for the development of major electricity infrastructure such as the Calvale to Tarong transmission line and the interconnection with New South Wales.

The amendments to the Act include a proposed section 116A which would give the Governor in Council power to authorise the granting of an easement over State forest or timber reserve for any electricity entity that is proposing to undertake works on the land. A regulation will be made under the *Land Act 1994* to establish a register of such easements.

The new provisions will enable infrastructure to be developed in a way that minimises any effects on private landholders.

Administrative cost to Government of implementation

It is not expected that the amendments will create any material costs to the Government.

Fundamental legislative principles

The Bill contains a number of wide transitional powers. It might be considered that these powers constitute inappropriate delegation of powers. However, these powers have not been put in the Bill without appropriate consideration being given to fundamental legislative principles.

On balance, and over the short term, it is prudent to establish these powers in the Act. These very complex reforms to the electricity industry are of great significance to the people of the State and its economy: it is vital that they proceed. During the transitional period, the powers will enable the Government to ensure that customer services continue to be provided efficiently and effectively and that the reforms are implemented as quickly as possible. The last point is very important: the length of time that the industry's employees and investors and the community face any uncertainty about the industry's direction should be kept as short as possible.

It should be noted that the powers (apart from the Ministers' direction power) will expire twelve months after they are brought into force.

Consultation

The Departments of Premier and Cabinet, Treasury, Economic Development and Trade and Natural Resources have been consulted on the preparation of the Bill. The Department of Mines and Energy prepared the amendments dealing with easements over State Forest land and has been consulted in regard to other issues in the submission.

AUSTA Electric, the Queensland Transmission and Supply Corporation (QTSC) and Powerlink Queensland have been consulted in the preparation of the Electricity Amendment Bill. QTSC has consulted the regional electricity corporations.

NOTES ON PROVISIONS

Clause 1 sets out the short title for the Bill.

Clause 2 provides for the commencement of the Act on a day to be fixed by proclamation.

Clause 3 states that this Act amends the *Electricity Act 1994*.

Clause 4 amends section 7 (System control) by replacing the words “supply entities and authorised suppliers” in subsection (f) with the words “distribution entities or retail entities”.

Clause 5 amends section 10 (Network services) by replacing the words “supply entities and authorised suppliers” with the words “and distribution entities”. Example 3 to section 10 is also amended by replacing the words “supply entities and authorised suppliers” with the words “distribution entities”.

Clause 6 amends section 12 (Works, substations and operating works) by replacing the words “supply entity or authorised supplier” in the definition of “operating works” in section 12(3)(c) with the words “distribution entity”.

Clause 7 amends section 21 (Electricity industry) by replacing the words “and supplying” with the words “supplying and selling” to show that selling is now a separate function from distributing and that the electricity industry is also involved in selling electricity.

Clause 8 amends section 22 (Electricity entities) by omitting subsection (2) and inserting a new subsection which correctly describes the electricity entities which are participants in the electricity industry.

Clause 9 amends section 23 (Customers and contestable customers) by inserting a new provision which defines a new category of customers called “non-contestable customers”. The heading to section 23 is omitted and the heading “Types of customers” is inserted.

Clause 10 amends the heading to Chapter 2, part 5 by replacing the words “SUPPLY ENTITIES” with the words “DISTRIBUTION ENTITIES”.

Clause 11 omits section 37 (Supply entities) which is concerned with supply entities which will no longer exist under the restructured arrangements and inserts a replacement provision which defines a distribution entity.

Clause 12 omits section 38 (Supply entity authorities) which is concerned with supply entity authorities which will no longer exist under the restructured arrangements and inserts a replacement provision which defines a distribution authority.

Clause 13 omits section 39 (Supply area of supply entity) which is concerned with supply areas which will no longer exist under the restructured arrangements and inserts a replacement provision which defines a distribution area.

Clause 14 omits section 40 (Supply of electricity in supply area) which is concerned with the supply of electricity in a supply area and inserts 9 provisions which deal with the obligation to connect and supply, the terms and conditions under which a distributing entity must connect and supply electricity to customers’ electrical installations or premises where those electrical installations or premises are within the distribution entity’s distribution area, and the development of standard customer connection contracts.

Before these amendments, Chapter 3 of the Act imposed an obligation on supply entities and authorised suppliers to supply electricity on non-discriminatory terms to customers within a supply area. Supply entities and authorised suppliers no longer exist under the restructured arrangements and these obligations now apply to distribution entities and retail entities.

The new provisions are as follows:

Section 40 (Connection and supply of electricity in distribution area) imposes an obligation on distribution entities to connect customers’ electrical installations or premises to the distribution entity’s supply network and to supply electricity. The obligation arises if a customer who has an electrical installation or premises within the distribution entity’s distribution area applies to the distribution entity for connection or supply to the

distributing entity's supply network. An application for connection or supply can be made to a distribution entity by a retail entity on behalf of a customer. If the application is made by a customer, the customer is taken to have entered into a contract with the distribution entity on terms of the distribution entity's standard customer connection contract unless a negotiated customer connection contract is entered into. If a retail entity has arranged connection and supply on behalf of a customer, the contract is taken to have the effect of a contract under seal between the distribution entity and the retail entity unless a negotiated customer connection contract is entered into. The obligation to connect and supply is subject to connection and supply to the customer being technically and economically practicable.

Section 40AA (Supply in absence of customer connection contract) is a new provision which provides that where electricity is supplied to a customer's electrical installation or premises and there is no customer connection contract in effect, then the relevant retail entity is taken to have entered into a contract with the customer on terms of the retail entity's standard customer sale contract and also entered into a contract with the relevant distribution entity in terms of the distribution entity's standard connection contract. The "relevant retail entity" is the retail entity which either supplies the electricity to the customer, or in whose retail area the customer's installation or premises is located. The "relevant distribution entity" is the distribution entity to whose supply network the customer's installation or premises is connected.

Section 40A (Standard customer connection contract) is a new provision which requires a distribution entity to prepare a standard customer connection contract which establishes the terms and conditions on which it will connect and supply electricity to a customer's electrical installation or premises. Standard customer connection contracts which are inconsistent with the Act are unenforceable to the extent of the inconsistency. Regulations may prescribe the terms which must be included in the contract, when the contract takes effect and issues concerning a contract approval and amendment.

Section 40B (Approval of first standard customer connection contract by regulator) is a new provision which provides that a distribution entity's first standard customer connection contract must be approved by the regulator before it takes effect.

Section 40C (Customer connection contracts outside standard form) is a new provision which, despite sections 40 and 40A, allows customers to contract with distribution entities on terms different from the terms of a distribution entity's standard customer connection contract. Contracts which are inconsistent with the Act are unenforceable to the extent of the inconsistency.

Section 40D (Connection and supply on nondiscriminatory terms) requires a distribution entity to connect and supply electricity to a customer on terms which are nondiscriminatory. A term is nondiscriminatory if it does not discriminate between a customer and other customers within a distribution area, who are seeking similar connection and supply. A regulation may declare what is and what is not discrimination.

Section 40E (Limitation on obligation to connect and supply) provides that a distribution entity is not obliged to connect or supply electricity to customers in specified circumstances. A regulation may provide that the obligation to connect and supply electricity does not apply.

Section 40F (Obligation to connect and supply subject to authority) provides that a distribution entity's obligation to connect and supply electricity to customers is subject to the conditions of its authority.

Section 40G (Disconnection for failure to pay debts) provides that a regulation may allow for the disconnection of, or refusal to connect or reconnect, a customer in certain specified circumstances.

Section 40H (Contracting out of ss 40E, 40G or 97) is a new provision which provides that parties to a negotiated customer connection contract can agree to vary or exclude the operation of sections 40E, 40G and 97.

Clause 15 omits section 41 (Supply of electricity outside supply area) which is concerned with the supply of electricity by a supply entity or authorised supplier outside of a supply area and inserts replacement provisions which deal with the circumstances, terms and conditions under which a distribution entity may connect and supply electricity to customers outside of that distribution entity's distribution area.

Clause 16 amends section 42 (Conditions of supply entity authority) and the heading to section 42, by replacing references to supply entities, supply entity authorities and the supply of electricity to customers with references to distribution entities and their activities, and distribution entity authorities, so that the provisions of the section apply to distribution entities,

distribution entity authorities and the connection and supply of electricity to customers by a distribution entity. Subsection 42(b) is replaced by a provision which reflects the restructured arrangements.

Clause 17 amends section 43 (Additional conditions to allow connection to supply network by complying persons), removing references to supply entities, supply entity authorities and the supply of electricity to customers and replacing them with references to distribution entities and their activities, and distribution entity authorities, so that the provisions of the section apply to distribution entities, distribution entity authorities and the connection and supply of electricity to customers by a distribution entity. Subsections 43(1) and 43(2)(a) are replaced by provisions which contain references to electricity entities which will come into existence under the restructured arrangements.

Clause 18 amends section 44 (Additional condition to provide network services) by replacing the words “supply entity authority that, if the supply entity has a supply network” with the words “distribution authority that”.

Clause 19 amends section 45 (Additional condition to comply with protocols, standards and codes) by replacing the words “supply entity authority that the supply entity” with the words “distribution authority that the distribution entity”.

Clause 20 amends Chapter 2, part 6 of the Act (AUTHORISED SUPPLIERS AND THEIR AUTHORITIES) by replacing it with a new part 6 (RETAIL ENTITIES AND THEIR AUTHORITIES). The previous part 6 is concerned with authorised suppliers and their authorities, both of which will no longer exist under the restructured arrangements. The replacement provisions deal with retail entities and their authorities and follow the sequence of the amended provisions which apply to distribution entities and their authorities [see clauses 10 to 19].

Section 46 (Retail entities) defines “retail entity”.

Section 47 (Retail authority) defines “retail authority”.

Section 48 (Retail area of retail entity) provides that a retail entity’s retail area is the area stated in its authority as its retail area.

Section 49 (Sale of electricity in retail area) deals with the terms and conditions under which a retail entity has an obligation to sell electricity, or arrange for a customer to be connected to a supply network, or arrange for a customer to be supplied with electricity, within a retail area. The obligation

arises if an application is made to the retail entity to purchase electricity by a non-contestable customer who has an electrical installation or premises within the retail entity's retail area, and is subject to any provision of the Act or a regulation that provides that the obligation does not apply or allows for a refusal to sell. Unless a negotiated customer sale contract is entered into under section 52, the retail entity's obligation is on the terms in the retail entity's standard customer sale contract which takes effect as a contract under seal between the retail entity and the customer. A retail entity is taken to have sold electricity to any non-contestable customer who is supplied with electricity and the terms of the sale will be according to the retail entity's standard customer sale contract.

Section 50 (Standard customer sale contract) is a new provision which requires a retail entity to prepare a standard customer sale contract which establishes the terms and conditions on which it will sell electricity to non-contestable customers in relation to their electrical installations or premises, or arrange for non-contestable customers to be connected to a supply network, or arrange for non-contestable customers to be supplied with electricity. Standard customer sale contracts which are inconsistent with the Act are unenforceable to the extent of the inconsistency. Regulations may prescribe the terms which must be included in the contract, when the contract takes effect and issues concerning a contract approval or, amendment.

Section 51 (Approval of first standard customer sale contract by regulator) is a new provision which provides that a retail entity's first standard customer sale contract must be approved by the regulator before it takes effect.

Section 52 (Customer sale contracts outside standard form) is a new provision which allows customers to contract with retail entities on terms different from the terms of a retail entity's standard customer sale contract. Contracts which are inconsistent with the Act are unenforceable to the extent of the inconsistency.

Section 53 (Limitations on obligation to sell) deals with circumstances in which a retail entity is not obliged to sell electricity, or arrange for a customer to be connected to a supply network, or arrange for a customer to be supplied with electricity.

Section 54 (Obligation to sell subject to authority) provides that a retail entity's obligation under section 49 is subject to the conditions of its retail authority.

Section 55 (Disconnection for failure to pay debts) allows for a regulation to declare that a retail entity may refuse to sell electricity to a non-contestable customer where that customer fails to pay a debt to the retail entity or that customer's distribution entity, or breaches its customer sale contract.

Section 55A (Electricity must be sold on nondiscriminatory terms) requires a retail entity to sell electricity to a non-contestable customer on terms that are nondiscriminatory. A term is nondiscriminatory if it does not discriminate between a non-contestable customer and other non-contestable customers who are seeking a similar provision of services within the entity's retail area. A regulation may declare what is and what is not discrimination.

Section 55B (Contracting out of ss 53, 55 or 97A) is a new provision which provides that parties to a negotiated customer sale contract can agree to vary or exclude the operation of sections 53, 55 and 97A.

Section 55C (Sale of electricity outside retail area) deals with circumstances and terms and conditions on which a retail entity may sell electricity, or arrange for a customer to be connected to a supply network, or arrange for a customer to be supplied with electricity, outside of the retail entity's retail area.

Section 55D (Conditions of retail authority) deals with the conditions to which a retail authority may be subject.

Section 55E (Additional condition to comply with protocols, standards and codes) requires a retail authority to comply with all protocols, standards and codes applying to the retail entity under the regulations.

Clause 21 amends section 56 (Purpose of special approvals) by replacing the words "supply entity or authorised supplier" with the words "distribution or retail".

Clause 22 amends section 58 (Special approvals) by replacing the words "supply entity or authorised supplier" with the words "distribution entity or retail entity".

Clause 23 amends section 59 (Authorisation given by special approval) by replacing the words "supply entity or authorised supplier" with the words "distribution or retail".

Clause 24 amends section 66 (Limitation of electricity officer's powers) replacing the words "supply area" with the words "distribution area" and inserting a new provision. The new provision is necessary to provide for an electricity officer to exercise powers in an area where an electricity entity sells electricity.

Clause 25 omits Chapter 2, part 11 of the Act which is concerned with State electricity entities. The functions of State electricity entities will be set out in the regulations in which they are established under the *Government Owned Corporations Act 1993*.

Clause 26 omits Chapter 3 of the Act which is concerned with the obligation to supply, the provisions of which have been incorporated into other sections of the Act [see clauses 14 and 20].

Clause 27 inserts new section 88A (Prohibition on operating supply network unless authorised) which prohibits any person from supplying electricity using a supply network unless the person is a holder of a distribution authority. The maximum penalty for contravention of this section is 5 000 penalty units.

Clause 28 omits section 89 (Restriction on supply of electricity within supply area) which is concerned with supplying electricity without authorisation and inserts a replacement provision which prohibits the sale of electricity unless the person is authorised to sell electricity under the Act. The maximum penalty for contravention of this section is 100 penalty units.

Clause 29 amends section 92 (System control) by replacing subsection (5) with a new provision which removes the references to a supply entities and authorised supplier and the activity of supplying electricity and replaces them with references to a distribution entity and the activity of distributing electricity.

Clause 30 omits section 97 (Limitation of liability of supply entity or authorised supplier for failure to provide network services or supply electricity) and inserts a new provision concerning a limitation of liability for distribution entities which removes the references to a supply entity and authorised supplier and the activity of supplying electricity and replaces them with references to a distribution entity and the activity of distributing electricity, and inserts a new section 97A.

Section 97A deals with the limitation of liability of a retail entity for failure to sell electricity.

Clause 31 inserts a new section 116A (Authority to create easements over forest land) which enables the Governor in Council, at the request of an electricity entity, to authorise the creation of an easement over forest land for the entity's works, despite section 26(1A) of the *Forestry Act 1959* but subject to section 362 of the *Land Act 1994*. The provision gives the term "forest land" the same meaning as at section 5 of the *Forestry Act 1959*.

Clause 32 omits section 118 (Supplier may recover amount for electricity supplied to person occupying premises) and inserts a new provision which deals with the recovery of amounts for electricity sold to a person occupying premises by a retail entity and inserts a new section 118A.

Section 118A deals with the recovery of amounts for connection and supply of electricity to a person occupying premises by a distribution entity.

Clause 33 amends section 127 (Advertisement of order) by replacing the words "A supply entity whose supply area" with the words "A distribution entity whose distribution area".

Clause 34 amends section 132 (Grounds for disciplinary action) by replacing the words "supply entity" in subsection (1)(e) with the words "distribution entity".

Clause 35 amends section 133 (Types of disciplinary action) by replacing the word "supply" in subsection (1)(b) with the word "distribution" and omitting subsections (1)(c) which concern supply entities and authorised suppliers and inserting a replacement provision which enables the regulator to take the prescribed disciplinary action against a retail entity.

Clause 36 amends section 137 (Entry to read meters etc) by replacing the words "supplied by" with the words "supplied or sold by".

Clause 37 amends section 167 (Occupier to give notice of electrical accident) by replacing subsection (2) with a new provision which provides that the occupier of a place must immediately tell either of the occupier's retail entity who has the contract to sell electricity for an electrical installation at the place, or the distribution entity in whose distribution area the accident happened, about the accident unless the occupier has a reasonable excuse. If the occupier tells the retail entity, the retail entity must immediately tell the distribution entity in whose distribution area the accident occurred.

Clause 38 amends section 168 (Licensed electrical contractor to give notice of electrical accident) by replacing subsection (2) with a new provision which provides that the licensed electrical contractor must immediately tell the distribution entity in whose distribution area the accident happened about the accident. In subsection (3) the words “supplier or” are replaced with the word “distribution”.

Clause 39 amends section 169 (Special approval holders to give notice of electrical accident) by replacing subsection (2) with a new provision which provides that a special approval holder must immediately tell the distribution entity in whose distribution area the accident happened about the accident.

Clause 40 amends section 170 (Electricity entity to advise regulator immediately of accident) by replacing the words “supply entity or authorised supplier” in subsection (1)(b) with the words “distribution entity”.

Clause 41 replaces the heading to Chapter 9, part 3 (SUPPLY ENTITY AUTHORITIES) with the heading “DISTRIBUTION AUTHORITIES”.

Clause 42 omits section 195 (Issue of supply entity authorities) which is concerned with the issue of supply entity authorities and inserts replacement provisions which deal with the issue of distribution authorities.

Clause 43 amends section 196 (Application for authority) by replacing the words “supply entity” in subsection (1) with the word “distribution” and replacing the word “supply” in subsection (1)(b) with the word “distribution”.

Clause 44 amends section 197 (Consideration of application for authority) by replacing the words “supply entity authority” in subsection (1) with the words “distribution authority” and by replacing the words “supply entity authorities” in subsection (7)(b) with the words “distribution authorities” and by replacing the words “supply entity” where they occur in the section with the words “distribution entity”.

Clause 45 amends section 198 (Notice of refusal to issue authority) by replacing the words “supply entity authority” with the words “distribution authority”.

Clause 46 omits section 199 (Amendment to supply entity authorities) which is concerned with the amendment of supply entity authorities and inserts a replacement provision which deals with the amendment of distribution authorities.

Clause 47 omits section 200 (Amendment of conditions stated in supply entity authorities) which is concerned with the amendment of conditions stated in supply entity authorities and inserts a replacement provision which deals with the amendment of conditions stated in distribution authorities.

Clause 48 omits section 201 (Supply entity authorities not transferable) which is concerned with the prohibition on transfer of supply entity authorities and inserts a replacement provision which deals with the prohibition on transfer of distribution authorities.

Clause 49 omits section 202 (Surrender of supply entity authorities) which is concerned with the surrender of supply entity authorities and inserts a replacement provision which deals with the surrender of distribution authorities.

Clause 50 amends Chapter 9, part 4 of the Act (AUTHORISED SUPPLIER AUTHORITIES) by replacing it with a new part 4 (RETAIL AUTHORITIES). The previous part 4 is concerned with authorised suppliers and their authorities, both of which will no longer exist under the restructured arrangements. The replacement provisions deal with retail entities and their authorities and follow the sequence of the amended provisions which apply to distribution entities and their authorities [see clauses 42 to 49].

Section 203 (Issue of retail authorities) deals with the issue of retail authorities.

Section 204 (Application for authority) deals with applications for the issue of a retail authority.

Section 205 (Consideration of application for authority) provides that the regulator must consider an application for the issue of a retail authority and give or refuse to give the authority, and deals with the facts, issues and circumstances of which the regulator must be satisfied in order to issue a retail authority. In addition to those matters specified, a regulation may prescribe matters the regulator must or may consider in deciding an applicant's competence to be a retail entity.

Section 206 (Notice of refusal to issue authority) requires the regulator to promptly give written notice to an applicant informing the applicant of a refusal to issue a retail authority, the reasons for the refusal and the applicant's right of appeal.

Section 207 (Amendment of retail authorities) deals with the amendment by the regulator of retail authorities.

Section 207A (Amendment of conditions stated in retail authorities) is a new provision which deals with the amendment by the regulator of conditions stated in retail authorities.

Section 207B (Retail authorities not transferable) is a new provision which prohibits the transfer of retail authorities.

Section 207C (Surrender of retail authorities) is a new provision which allows a retail entity to surrender a retail authority only with the approval of the regulator.

Clause 51 inserts a new section 259A (Regulation may declare a State electricity entity) which provides for a regulation to declare, in certain specified circumstances, a GOC, a subsidiary of a GOC or a government company that is not an electricity entity to be a State electricity entity for the purposes of section 256 or 262.

Clause 52 inserts a new heading (PART 1—PROVISIONS FOR ORIGINAL ACT (1994 No. 64) before section 269.

Clause 53 inserts after section 288 new sections which deal with the transitional arrangements and a new heading (PART 2—TRANSITIONAL PROVISIONS FOR ELECTRICITY AMENDMENT ACT 1997). Each of the new sections expires one year after the commencement.

Section 289 (Continuation of tariffs) provides for the electricity prices in force when the amendments commence to continue in force until new prices are approved by the Minister after the commencement.

Section 290 (Expiry of QGC's generation authorities) provides for the expiry of the 10 specified generation authorities issued by the regulator to the Queensland Generation Corporation. The generation authorities expire on a date determined by the Minister, which must be notified to the regulator and the QGC. No claim for compensation by the QGC or anyone else arises as a result of the Minister's determination.

Section 291 (Generation authorities for new generation entities) requires the regulator to issue generation authorities to the specified generation corporations or the generation corporations' generation plant as soon as practicable after the commencement of the section. The terms and conditions of each generation authority issued by the regulator must be approved by the Minister. Until such time as the authorities are issued, each of the specified generation corporations is authorised to connect generation plant approved by the Minister to the Queensland Electricity Transmission Corporation's transmission grid and perform other functions approved by the Minister. The authorities required to be issued under this section are subject to the conditions in sections 27 and 28 of this Act, compliance by the generation corporation with all applicable laws, and such other conditions relating to the connection or operation of the generation corporation's generation plant as are notified by the Minister to the QGC in writing.

Section 292 (Expiry of QETC's transmission authority) provides for the expiry of the transmission authority, dated 18 December 1995, issued by the regulator to the Queensland Electricity Transmission Corporation. The authority expires on a date determined by the Minister, which must be notified to the regulator and the QETC. No claim for compensation by the QETC or anyone else arises as a result of the Minister's determination.

Section 293 (New transmission authority for QETC) requires the regulator to issue a new

transmission authority to the QETC as soon as practicable after the commencement of the section. The terms and conditions of the new transmission authority must be approved by the Minister. Until such time as the new authority is issued, the QETC is authorised to operate the transmission grid in the area stated in the previous QETC authority and perform other functions approved by the Minister. The authority to be issued under this section is subject to the conditions in sections 31, 32, 33, 34, 35 and 36 of this Act, compliance by QETC with all applicable laws, and such other conditions relating to the operation of the transmission grid as are notified by the Minister to the QETC in writing.

Section 294 (Expiry of QTSC's supply entity authority) provides for the expiry of the supply entity authority, dated 18 December 1995 and amended on 22 April 1996, issued by the regulator to the Queensland Transmission and Supply Corporation. The authority expires on a date determined by the

Minister, which must be notified to the regulator and the QTSC. No claim for compensation by the QTSC or anyone else arises as a result of the Minister's determination.

Section 295 (Expiry of State authorised supplier authorities) provides for the expiry of the specified authorised supplier authorities issued by the QTSC to the 7 specified State authorised suppliers. The authorities expire on a date determined by the Minister, which must be notified to the regulator and the QTSC. No claim for compensation by the QTSC or anyone else arises as a result of the Ministers determination.

Section 296 (New distribution authorities) requires the regulator to issue new distribution authorities to the 7 specified distribution corporations as soon as practicable after the commencement of the section. The terms and conditions of the new distribution authorities must be approved by the Minister. Until such time as the new authorities are issued, a specified distribution corporation is authorised to operate the supply network within the area stated in that corporations previous authorised supplier authority and perform other functions approved by the Minister. The Minister may, by notice, change the area in which a specified distribution corporation may operate a supply network before the issue of that corporation's new distribution authority. The Minister may approve a distribution entity's first standard customer connection contract (in which case section 40B does not apply).

Section 297 (New retail authorities) requires the regulator to issue retail authorities to the 3 specified retail corporations as soon as practicable after the commencement of the section. The terms and conditions of the retail authorities must be approved by the Minister. Until such time as the new authorities are issued, a specified retail corporation is authorised to sell electricity to customers (in respect of their electrical installations or premises), and arrange for customers to be connected to the supply network and supplied with electricity, and perform other functions approved by the Minister. The Minister may approve a retail entity's first standard customer sale contract (in which case section 51 does not apply).

Section 298 (Dispensing with formal requirements for the issue of interim authorities) allows for the Minister to dispense with such requirements of Chapter 9 concerning the issue of interim authorities under sections 291, 293, 296 and 297.

Section 299 (Directions to State electricity entities) defines the term “Ministers” for the purposes of this section and provides for the Ministers to give directions to State electricity entities with which the State electricity entities must comply. The Ministers may only give directions if they are satisfied that it is necessary or convenient to assist or give effect to the restructuring of the Queensland electricity supply industry or the reforms proposed for the Queensland electricity supply industry. The board of a State electricity entity must implement a direction given under this section. A regulation may declare, in certain specified circumstances, that a GOC, a subsidiary of a GOC or a government company, that is not a State electricity entity to be a State electricity entity for the purposes of this section.

Section 300 (Minister may give exemptions from holding a retail authority) provides that the Minister may exempt a person from a requirement to hold a retail authority. The exemption may be given on conditions.

Section 301 (Minister’s powers about pricing) provides the Minister with a power to set the prices charged by a State electricity entity for electricity that it sells or services that it provides. A regulation may declare, in certain specified circumstances, that a GOC, a subsidiary of a GOC or a government company, that is not a State electricity entity to be a State electricity entity for the purposes of this section.

Section 302 (QTSC State electricity entity for limited purposes) provides that QTSC is taken to be a State electricity entity for the purposes of the arrangements under the *Gladstone Power Station Agreement Act 1993*, and the State Agreement under that Act, and sections 255, 256, 262, 299 and 301 of this Act.

Section 303 (Transitional regulations) provides the making of regulations to make provision for matters which are necessary or convenient to assist or give effect to the restructuring of the Government owned electricity supply industry, to preserve existing licences and authorities (for matters which the Act does not make sufficient provision), and to give effect to sections 289 to 302 of the Act. Regulations made under this section may be given retrospective operation to a date not earlier than the commencement of this section.

Clause 54 amends Schedule 1 (APPEALS AGAINST ADMINISTRATIVE DECISIONS) by replacing the words “supply

entity” with the word “distribution”, by deleting the reference to section 206(1) which concerns an authorised supplier authority and inserting references to sections 205(1), 207C and 55D(e) which deal with retail entities.

Clause 55 amends Schedule 2 (SUBJECT MATTER FOR REGULATIONS) by replacing the words “Conditions of supply” with the words “Conditions of supply and sale” where they appear in the heading to section 1 and in section 1.

Clause 56 amends Schedule 5 (DICTIONARY) by omitting where necessary redundant definitions and inserting new definitions.

Clause 57 inserts schedule 1 which amends section 4(5)(a)(i) of the *Building Act 1975*.