

Electricity and Other Legislation Amendment Bill 2006

Explanatory notes for Amendments to be moved during consideration in detail by The Honourable Geoff Wilson MP

Title of the Bill

Electricity and Other Legislation Amendment Bill 2006

Objectives of the Amendments

The Energy and Other Legislation Amendment (EOLA) Bill was tabled in Parliament on 31 October 2006. Since that time further public consultation with new entrant retailers to Queensland's electricity retail market has occurred.

The additional consultation process has illuminated a number of issues which need further exposition and clarification. It was always intended that further details relating to the setting of tariffs would be included in the Electricity Regulation.

Advice from the Office of the Queensland Parliamentary Counsel is that there is a need to make minor drafting changes to the Bill to adequately cover the matters raised in the additional consultation process.

The objectives of the amendments are to clarify the following:

- That the amendments do not alter the current provisions under the *Electricity Act 1994* which provides for the Energy Minister to issue a tariff schedule which sets out electricity tariffs for customers;
- That electricity tariffs will be indexed each year on 1 July 2007, which is the current Government policy, but the indexation will be based on electricity industry costs and not the general consumer price index measure; and
- The index based on electricity industry costs will be calculated by the Queensland Competition Authority (QCA) on the basis that this body has the technical capability to calculate such an index.

The Bill also specifies the formula for working out the index to be applied to tariffs on an annual basis.

The amendments also provide for some fine tuning of the formula which should provide further clarity for the QCA when it undertakes the calculation.

Estimated Cost for Government Implementation

There is no additional cost to Government of implementing the proposed amendments.

Consistency with Fundamental Legislative Principles

The amendments are consistent with fundamental legislative principles.

Consultation

The Department of Mines and Energy through the Energy Competition Committee (ECC) consulted with retailers who will be operating in the Queensland electricity market on the Bill after it had been tabled in Parliament.

Consultation by the ECC is on-going with industry participants and consumer representatives as these stakeholders prepare for the introduction of full retail competition on 1 July 2007.

An industry forum involving electricity retailers has occurred following the tabling of the Bill. The ECC has received a written submission following this forum highlighting the need to clarify the matters which the amendments address.

Notes on Provisions

Clause 22 (Amendment of section 90 (Deciding prices for non-contestable customers))

Clause 22 omits section 90(2) and inserts new sections to clarify the existing provision in the *Electricity Act 1994*, that the Minister for Energy must publish electricity tariffs in a tariff schedule. It also clarifies that the Minister may: decide and publish electricity prices or fees related to

customer retail services more than once a year; and has flexibility in terms of removing, adding of altering tariffs in the existing tariff schedule.

Clause 25 (Insertion of new ch 4, pt 2 div 3)-

Clause 25 replaces the existing Division 3 in the Bill. The amendments provide new a new title to Division 3, from ‘Requirements for deciding notified prices for a tariff year’ to ‘Annual indexation’. This new title provides greater clarity as to the purpose of the Division.

Similarly section 91B, Operation and application of Division 3, has been rewritten to state that the division requires annual indexation of tariffs and that tariffs will be indexed at the start of each financial year.

Section 91B also removes any doubt that the Minister may remove, add or change a tariff in the tariff schedule in addition to the changes that arise from annual indexation. This is consistent with the Minister’s powers under the existing *Electricity Act 2004*.

The clause omits parts of sections 91(c) and 91(D) and also indicates that a new section (section 91E) has been added through the amendments. The purpose of this new section is to provide a clearer definition of “NEM load” which is one of the components in the formula to work out the electricity cost index. The new section 91(D) makes it clear that each tariff in the tariff schedule must be indexed by the index calculated.

In section 91(G)(1) “91F” is replaced by “91”E” because the clause has been renumbered.

Clause 25 also provides for regulation making powers to enable the methodology to be prescribe for calculation the “NEM load” and the calculation of retail costs.

Clause 53 (Amendment of sch 5 (Dictionary)

Clause 53 renumbers section 91B to 91B(1) in accordance with the changes made to section 91B.