



Queensland

# Electricity Amendment Regulation (No. 2) 2012

## Explanatory Notes for SL 2012 No. 93

made under the

*Electricity Act 1994*

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## General outline

### Short title

*Electricity Amendment Regulation (No. 2) 2012.*

### Authorising law

Section 263 of the *Electricity Act 1994* (the Act) prescribes that the Governor in Council may make regulations under this Act.

### Policy objectives and reasons for them

The policy objective of the amendment to the *Electricity Regulation 2006* is to remove access to regulated retail electricity prices (notified prices) for large business customers (consuming 100 megawatt hours (MWh) per annum and above) in the Energex Limited distribution area (i.e. south east Queensland (SEQ)), from 1 July 2012. This will in effect change the status of these customers from non-market to market customers.

The regulation is required to give certainty to both electricity customers and electricity retailers by confirming the Government's intent to remove access to notified prices for these large business customers from 1 July

2012. Some customers have already negotiated contracts with retailers based on the Government's advice that this would occur.

### **Achievement of policy objectives**

The policy objective will be achieved by amending the definition of market customer in the regulation, to include large (i.e. consuming 100MWh per annum or above) business customers and whose premises is located in the distribution area of Energex Limited (i.e. SEQ).

### **Consistency with policy objectives of authorising law**

The regulation is consistent with the objectives of the Act and amends the *Electricity Regulation 2006* to amend the definition of market customer from 1 July 2012, to include large business customers in the distribution area of Energex Limited.

### **Inconsistency with policy objectives of other legislation**

The regulation is not inconsistent with the policy objectives of any other legislation.

### **Alternative ways of achieving policy objectives**

There are no alternative approaches to effectively achieve the stated policy objective by 1 July 2012.

### **Benefits and costs of implementation**

The regulation will provide certainty to large business customers in SEQ and retailers in relation to the Government's commitment to remove access to notified prices for these customers. The removal of notified prices for these customers may also provide opportunities for enhanced competition in the SEQ electricity market.

The proposed amendments are excluded from a Regulatory Assessment Statement (RAS) as the decision to remove access to notified prices for these customers is the result of the Queensland Competition Authority's 2009 Review of Electricity Pricing and Existing Tariff Structures (the Review). As part of the Review, the QCA was specifically directed to

“undertake an open and robust consultation process with all parties considered relevant to the review.”

Over the course of the Review, the QCA provided four separate opportunities for key stakeholders and the general community to provide comment and feedback on alternative electricity pricing and tariff structures, including the proposal to remove access to notified prices for large non-market business customers in SEQ. Submissions were received from a wide range of stakeholders including retailers, distributors, consumer and community groups, and rural lobby groups. No strong opposition to the proposal was noted.

According to the QCA, as at 31 December 2011, there were approximately 12,987 large business customers in SEQ and, of these, only 530 (less than five per cent) were still accessing notified prices. Therefore, almost 96 per cent of large customers in SEQ have already moved off notified prices and entered into a market contract with their retailer.

### **Consistency with fundamental legislative principles**

The regulation has been drafted with regard to the fundamental legislative principles and is considered to comply with these principles.

### **Consultation**

The decision to remove access to notified prices for large business customers in SEQ, from

1 July 2012, was well communicated to the market at the time and stakeholders have moved to put in place arrangements for its introduction from 1 July 2012. Consultation has been undertaken with retailers on the Regulation. No major concerns have been identified.

### **Notes on Provisions**

*Section 1* cites the short title of the Regulation.

*Section 2* provides that the Regulation commences on 1 July 2012.

*Section 3* provides that the Regulation amends the *Electricity Regulation 2006*.

*Section 4* inserts a new section 30V(1)(f) into the *Electricity Regulation 2006* which prescribes that a customer is also considered a market customer for a premises if the customer is both a large customer and a business customer, and the customer's premises is located in the distribution area of Energex Limited ACN 078 849 055.

A new section 30V(2) is also inserted to define a *business customer* as a customer other than a customer who receives electricity for domestic use.

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#### ENDNOTES

- 1 Laid before the Legislative Assembly on . . .
- 2 The administering agency is the Department of Energy and Water Supply.

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