



Queensland

Electricity Regulation 2006

Regulatory Impact Statement for SL 2006 No. 200

made under the

Electricity Act 1994

1 Introduction

Purpose of a regulatory impact statement

Under the *Statutory Instruments Act 1992*, if a proposed regulation is likely to impose appreciable costs on the community or part of the community, a regulatory impact statement (RIS) must be prepared, before the regulation is made.

A RIS is designed to determine whether or not a proposed regulation is the most efficient and effective way of achieving desired policy objectives. It does this by providing a mechanism by which the Government's policy deliberations are clearly documented and subject to public scrutiny.

The purpose of this RIS is therefore to explain the need for the proposed regulation and to present an evaluation of the likely costs and benefits that would flow from its adoption in comparison with other options.

Submissions are invited from the community, stakeholders and other interested parties on the proposals contained in this RIS for the proposed new Electricity Regulation 2006.

For reference purposes, the *Electricity Act 1994* and *Electricity Regulation 1994* may be purchased from GoPrint and are also

available electronically on the Internet from
www.legislation.qld.gov.au.

2 Background

2.1 Industry overview

Electricity is fundamental to modern life, providing light, heat, and power for transportation, appliances, machinery and telecommunications. It is essential to meet daily household needs and is a basic input for both commerce and industry. By providing such an essential service, the electricity industry indirectly contributes to the growth of our economy. The Queensland electricity industry also directly affects the economy through its employment of approximately 8,000 people, and annual capital expenditure in excess of \$1 billion.

The Queensland electricity industry comprises a number of different sectors—

- The generation sector comprises various types of power stations producing electricity to be used by customers. Larger Queensland generators, together with interstate generators, compete to sell electricity into the National Electricity Market (NEM)¹. Smaller embedded generators² have a choice of selling their electricity into the NEM or direct to retailers or customers.
- The wholesale electricity market, which is managed by the National Electricity Market Management Company (NEMMCO), who is also responsible for power system operation and security in Queensland and throughout the interconnected transmission grid in eastern Australia.

1 The NEM is a wholesale market for the supply of electricity to retailers and end-users in Queensland, New South Wales, the Australian Capital Territory, Victoria, South Australia and Tasmania. The NEM is not a physical location, but rather a set of rules and procedures managed by National Electricity Market Management Company.

2 Embedded generators are generating units connected within a distribution network and not having direct access to the transmission network.

- The transmission sector, which transports the electricity produced by these power stations over a high voltage transmission network to distribution networks and some large customers.
- The distribution sector, which transports electricity at lower voltage from the transmission network to customers who access it through the power outlets in homes, offices and industry. There are two government owned distribution companies, ENERGEX Ltd and Ergon Energy Corporation Ltd, which own and operate most of the distribution networks within Queensland, with a small portion owned and operated by Country Energy (a New South Wales government owned company).
- The retail sector consists of a number of retailers who sell electricity to end-use customers. They buy electricity in bulk from the NEM (or small embedded generators) and retail it to customers. Large customers may purchase directly from either a generator or from the National Electricity Market. Two government owned retail companies, ENERGEX Retail Pty Ltd and Ergon Energy Pty Ltd have regionally based monopolies over non-contestable (franchise) customers within their retail areas, as well as competing for contestable customers³. Country Energy also performs retail functions in a small area in southern Queensland. There are a number of retailers without retail areas, who are able to compete to sell electricity to contestable customers.
- An overview of the current electricity industry structure in Queensland is provided in Appendix 1.

2.2 The current regulatory environment

The interaction between participants in the Queensland electricity industry is governed by the *Electricity Act 1994*, the *Electricity Regulation 1994*, and the National Electricity Law and Rules.

The *Electricity Act 1994* was established in 1994 following consultation with industry, customers and Government.

3 Currently, a customer is considered contestable where they have an actual or estimated electricity consumption of more than 0.1 gigawatt hours per year, and they have entered into a negotiated customer sale contract with a retail entity or purchase their electricity through the wholesale electricity market. From 1 July 2007, all customers regardless of consumption will be eligible to become contestable.

The objectives of the *Electricity Act 1994* are to—

- set a framework for all industry participants that promotes efficient, economical and environmentally sound electricity supply and use;
- regulate the electricity industry and electricity use;
- establish a competitive electricity market in line with the national electricity industry reform process;
- ensure that the interests of customers are protected; and
- take into account national competition policy requirements.

The matters governed by the *Electricity Act 1994* and *Electricity Regulation 1994* include—

- licensing of electricity industry participants and monitoring of licence compliance;
- reviewing and making recommendations about standards and practices under the *Electricity Act 1994*;
- establishing minimum service standards and guaranteed service levels;
- settlement of disputes between electricity entities and between electricity entities and customers or other parties;
- approval of standard customer contracts of electricity distributors and retailers, and other customer service matters;
- approval of electricity prices for non-contestable customers;
- administration of electricity restrictions and electricity rationing procedures;
- retail competition/contestability; and
- administration of the 13% Gas Scheme.

The *Electricity Regulation 1994* prescribes standards and procedures, defines supply obligations, specifies electrical appliance Minimum Energy Performance Standards (MEPS) and energy efficiency labelling requirements, and provides for employment conditions for employees of the government owned electricity corporations. An overview of these regulatory requirements can be found at Appendix 2 of this document.

Under section 54 of the *Statutory Instruments Act 1992*, subordinate legislation expires on 1 September ten years after the subordinate legislation was made. The *Electricity Regulation 1994* was therefore due to expire on 1 September 2005. The *Statutory Instruments Amendment Regulation (No. 2) 2005* deferred the expiry date for the *Electricity Regulation 1994* to 31 August 2006, on the basis of this review being undertaken.

2.3 Previous review of the current regulatory regime

In 2002, the *Electricity Act 1994* and the *Electricity Regulation 1994* were reviewed to identify any provisions in that legislation that restricted competition, in keeping with the Queensland Government's obligations to the Council of Australian Governments in relation to National Competition Policy (NCP) reforms.

The NCP review process concluded that the *Electricity Act 1994* and the *Electricity Regulation 1994* are fundamentally pro-competitive, as they facilitate competition in the electricity industry by allowing entry into competitive parts of the industry and at the same time protect customers from the exercise of monopoly power. However, some specific provisions were identified as anti-competitive and inclusion of these provisions in the legislation could not be justified.

Accordingly, in 2003 the *Electricity Act 1994* and the *Electricity Regulation 1994* were amended to address those provisions identified as anti-competitive.

Since that time, the only significant amendments to the *Electricity Regulation 1994*, which have had a distinguishable competition impact, were changes relating to the introduction of retail contestability. The Government has taken a staged approach to the introduction of electricity retail competition, by gradually allowing more and more customers, based on level of usage, to "shop around" for their electricity supply. The latest stage of contestability, "Tranche 4a", was introduced in 2004, so that currently customers using more than 0.1 gigawatt hours per annum are eligible to become contestable.

Full retail competition considerations

The State Government recently announced that full retail competition (FRC), where all customers will be able to choose their retailer, will commence in Queensland on 1 July 2007. Whilst some initial changes

have been made to the *Electricity Regulation 1994* to identify this start date, it is recognised that further changes will need to be made in order to support the implementation of FRC.

The decision to proceed with the implementation of FRC was supported by a cost benefit analysis undertaken by Queensland Treasury⁴. Therefore, it is not intended that this RIS will re-consider the costs and benefits of FRC. Furthermore, the changes to the *Electricity Regulation 1994* required to implement FRC will be identified and implemented as part of a separate future process. Hence, these future changes will not be considered in this RIS.

Energy efficiency labelling and minimum energy performance standards considerations

Energy labelling of domestic white goods and air-conditioners, and registration of applicable equipment for MEPS, is mandatory throughout Australia. Most new domestic appliances are required to have energy labelling on display before they are offered for sale. The MEPS are legislated mandatory levels of energy performance which set minimum levels of energy efficiency that specified electrical items must meet in order to be sold in the Australian marketplace.

The provisions in the *Electricity Regulation 1994* relating to energy labelling and MEPS are substantially uniform legislation enacted in every State and Territory under an agreement by the Ministerial Council on Energy (MCE). Each State and Territory is responsible for administering its own legislation and regulations on energy labelling and MEPS.

In order to ensure consistency amongst the jurisdictions, each State and Territory's legislation adopts Australian and New Zealand Standards which define the MEPS and energy labelling requirements for appliances.

The Equipment Energy Efficiency Committee, which consists of representatives from Commonwealth, State, Territory and New Zealand governments, establishes the MEPS for appliances and these are incorporated in the relevant Australian and New Zealand

4 A copy of the cost benefit analysis is available to download from the Department of Energy website at <www.energy.qld.gov.au/zone_files/Electricity/frc_report_2005.pdf>

Standards which are given effect by regulation in each State and Territory after approval by the MCE.

The Australian Greenhouse Office coordinates the implementation of the regulations and undertakes the preparation of national Regulatory Impact Statements whenever the standards for the MEPS change.

Given that the MEPS and energy efficiency labelling sections of the *Electricity Regulation 1994* are substantially uniform legislation, they are exempt from the requirement to prepare a RIS under section 46(1)(h) of the *Statutory Instruments Act 1992*. Furthermore, each change to the MEPS and labelling requirements has been the subject of a national RIS process.

Because the issues about MEPS and energy efficiency labelling have already been considered through national processes, it is not intended to reconsider these issues in this RIS.

13% gas scheme considerations

The *Electricity Act 1994* contains most of the legal framework for the 13% Gas Scheme, while the *Electricity Regulation 1994* only provides for some minor administrative matters that underpin the operation of the Scheme.

In 2004, when changes to the *Electricity Regulation 1994* were made to underpin the 13% Gas Scheme, a RIS was not required to be completed following advice from the then Business Regulation Review Unit of the Department of State Development and Innovation. As a consequence, this RIS does not consider elements of the *Electricity Regulation 1994* relating to the 13% Gas Scheme.

2.4 The proposed course of action

It is proposed that the Electricity Regulation 2006 will be introduced to remake the current *Electricity Regulation 1994*. In remaking the *Electricity Regulation 1994*, it is proposed that the Electricity Regulation 2006 will also introduce some changes to current arrangements.

Consultation with government agencies, departmental staff and key electricity entities has identified a number of possible improvements to the current regulatory arrangements. These improvements aim to increase the operational effectiveness and efficiency of the current

Electricity Regulation 1994 without creating any new powers or responsibilities. The proposed changes are outlined below as follows—

- Extending distribution entities' ability to require rural customers to install a circuit breaker, to include all customers.
- Clarification of distribution entities' entitlement to seek capital contributions from customers towards the cost of extending or augmenting their networks to make supply available.
- Ensuring that customers provide unhindered access to meters or control apparatus.
- Clarification of adjustments which must be made to customer accounts that have been overcharged or undercharged.
- Clarification of compensation entitlements to owners whose premises may be used by distribution entities for substations or electrical equipment to service customers outside the premises.
- Clarification of distribution entities' responsibilities regarding the removal of a substation or electrical equipment from a property owners' premises, when it is no longer required.
- Ensuring consistency with the new regulatory regime for the standard contractual arrangements between distribution entities and their non-contestable customers and retail entities and their non-contestable customers⁵.
- Requirement for host retail entities to submit retailer of last resort plans/procedures to the Regulator.
- Allowing host retail entities to recover in their charges, for retailer of last resort services, the cost of liabilities arising under the 13% Gas Scheme and the Commonwealth Mandatory Renewable Energy Target Scheme.
- Extension of the licensing exemption granting standing special approvals to generators with a capacity of less than 30 megawatts, and who sell their output only to local retailers, to include all generators of such size regardless of who they sell their output to.

⁵ The *Electricity Amendment Act (No. 2) 2004* established direct contractual relationships between distribution entities and their non-contestable customers, rather than the previous indirect relationships through the retail entities.

- Licensing fees have been changed to be more transparent and reflect the costs involved in investigating whether the licence should be issued. The main change proposed is that the licence application fees will expressly incorporate the costs of advertising associated with the licensing process.
- Generally, it is also proposed to increase prescribed fees in line with CPI changes.

The cost-benefit assessment indicates that, of the considered alternatives, the proposed Electricity Regulation 2006 (remaking the *Electricity Regulation 1994* with these improvements) will provide the highest net benefits to industry, Government and the wider community. Customers in particular, who are identified by the *Electricity Act 1994* as an important stakeholder group, are clearly protected and receive net benefits. The quantitative analysis also indicates that the proposed fee structure better reflects the true costs of regulation without having a significant adverse impact on industry or the wider community.

The proposed Electricity Regulation 2006 will be required to commence prior to the expiry of the existing *Electricity Regulation 1994* on 31 August 2006.

3 Authorising law

The *Electricity Act 1994* establishes the framework for all participants (both private sector as well as government owned entities) within the electricity industry so as to encourage the efficient, economical and environmentally sound provision of electricity. The *Electricity Act 1994* sets out the conditions under which these participants operate. In addition, the *Electricity Act 1994* provides the framework for the purchase and sale of electricity within Queensland and refers to arrangements for the National Electricity Market.

The heads of power for the making of a Regulation under the *Electricity Act 1994* are—

Sections 7(d), 20R(1), 23(2), 40A(2), 40D(2), 40, 49A(7), 50(2), 52A(1), 55, 55A(2), 64(2), 64FB(1), 67(a), 90(1)(ii), 101(2), 104(1), 116(6), 122, 131A(1), 133(21)(f), 135AD(1)(c)(iii), 135AM(1)(j)(ii), 135AN(3), 135BE(1)(b), 135BG, 135BK(2)(f), 135BM(2)(c), 135BP(2)(c), 135CH, 135CO(1), 135DV(2)(c), 135DX, 135FA(3)(b), 135GJ(2)(d)(iv),

135GR(1), 135GS(2)(e), 135H(e)(ii), 135HF(b), 135HH(2), 135I(3), 135IC(2), 135IF(2)(a), 135IG(1)(c) and (3), 135IH(2)(ii), 135IP(1)(b), 135IT(1)(b), 138(3)(b), 146(1)(d), 147(1)(c) and (2), 179(1)(c), 180(2)(e), (3)(f), (4), (5)(c), (6) and (7), 184A(1)(b), 184B(2)(c), 188(1)(c), 189(2)(e), (3)(f), (4), (5)(c) and (6), 193A(1)(b), 193B(2)(c), 196(1)(c), 197(2)(d), (3)(f), (4), (5)(c), (6) and (7), 201A(1)(b), 201B(2)(c), 204(1)(c), 205(2)(c), (3)(g), (5), (6)(c), (7) and (8), 207D(2)(b), 208, 209(1)(c), 212A(1)(b), 217, 219(2), 227, 253(1), 256(1)(b), (2), 259A, 263 to 266, 280(1), 287A(1), and 299(5).

4 Policy objectives

The objective of the proposed Electricity Regulation 2006 is to provide the administrative and technical framework to underpin the operation of the *Electricity Act 1994*, and ensure the policy objectives of the *Electricity Act 1994* are achieved. These policy objectives are set out in section 3 of the *Electricity Act 1994*—

- setting a framework for all industry participants that promotes efficient, economical and environmentally sound electricity supply and use;
- regulating the electricity industry and electricity use;
- establishing a competitive electricity market in line with the national electricity industry reform process;
- ensuring that the interests of customers are protected; and
- taking into account national competition policy requirements.

The proposed Electricity Regulation 2006 sets out to support the achievement of these objectives through a number of regulatory mechanisms including the prescription of standards and procedures, definition of supply obligations, specifying energy efficiency labelling and MEPS requirements, and providing for specific employment conditions for employees of the government owned electricity corporations.

The *Electricity Regulation 1994*, for the most part, provides a solid framework for electricity industry participants, encouraging the efficient, economical and environmentally sound supply and use of electricity. The proposed Electricity Regulation 2006 provides some additional fine-tuning, which is more effective in achieving these

objectives, and provides greater net benefits to the community, industry and government.

4 Legislative intent

The government's policy objectives, as outlined in the *Electricity Act 1994*, will be achieved by remaking the *Electricity Regulation 1994* in a modified form.

Consultation with industry has confirmed that the current form of the *Electricity Regulation 1994* is necessary for the continued efficient operation of the industry. However, while the *Electricity Regulation 1994* has been effective, some changes and fine-tuning, as highlighted above, are required to increase its operational effectiveness and efficiency.

The proposed legislation is considered reasonable and appropriate because it will improve the effectiveness and efficiency of the *Electricity Regulation 1994* and it will not create any new powers or responsibilities.

Commencement of the new regulation

The proposed Electricity Regulation 2006 will be required to commence prior to the expiry of the *Electricity Regulation 1994* on 31 August 2006.

6 Consistency with authorising law

The proposed Electricity Regulation 2006 is consistent with the objectives of the *Electricity Act 1994*. It contributes to the provision of a system that achieves an appropriate balance between regulating the electricity industry to provide certainty and confidence in the electricity system, and enabling the development of a competitive industry which can operate in an efficient, economical and environmentally sound manner.

7 Consistency with other legislation

The proposed legislation is not inconsistent with any other Queensland legislation.

8 Fundamental legislative principles

The *Legislative Standards Act 1992* requires that legislation has sufficient regard to the rights and liberties of individuals and the institutions of Parliament.

It is considered that all options considered by this RIS have sufficient regard for these principles. The drafting of any future legislation would include an assessment of whether the legislation has sufficient regard for fundamental legislative principles.

9 Identification of alternatives

Consideration has been given to three options for achieving the desired policy objectives of the *Electricity Act 1994*. The options are—

- Option 1 No regulation.
- Option 2 Remake of *Electricity Regulation 1994* (without changes). An overview of the current regulation is provided in Appendix 2.
- Option 3 Remake of the *Electricity Regulation 1994* (with changes as outlined in 2.4) (preferred option)

The Department of Energy has eliminated Options 1 and 2 in favour of Option 3, as this option is considered by the Department to be the most appropriate and effective means of achieving the policy objectives of the *Electricity Act 1994*.

10 Cost-benefit assessment

The purpose of an impact analysis is to identify and assess the potential impacts of available options.

Allowing the *Electricity Regulation 1994* to expire is not considered to be a viable option because the *Electricity Act 1994* needs to be supported by subordinate legislation. Without subordinate legislation, the implementation of the provisions of the *Electricity Act 1994* such as licensing, fees, standards etc, cannot be effectively achieved. This could have negative economic and social impacts for the state, potentially exposing the market and customers to the abuse of monopoly power, inconsistent technical and business operational

standards, and an overall decrease in the economic efficiency and financial viability of the electricity industry.

On this basis, Option 1 would not meet the overarching objectives of the *Electricity Act 1994* which aim to protect customers and promote an efficient, economic and environmentally sound electricity industry. Given Option 1 does not meet the key objectives of the *Electricity Act 1994*, a full impact assessment of this alternative was not undertaken.

Consequently, an impact assessment was only undertaken for Option 2 (a remake of the *Electricity Regulation 1994* without changes) and Option 3 (a remake of the *Electricity Regulation 1994* with changes). The impact of Option 3 is equivalent to the impact of Option 2 plus the impact of the changes associated with Option 3. Therefore, in order to avoid duplication, only the impacts of Option 2 plus the changes identified under Option 3 have been assessed.

The full assessment of impacts is outlined in 10.1 and 10.2. A summary of this analysis is also provided in matrix form at Appendix 3 and 4 of this document.

The objects of the *Electricity Act 1994* place primary importance on protecting customers and promoting economic efficiency and environmentally sound electricity use.

In analysing the impacts of the options, the impacts have been categorised by the affected stakeholder groups—

- customers/community—this group represents over 1.8 million electricity customers, as well as the whole Queensland economy. The electricity customers can be categorised into three categories: residential, industrial and commercial. Generally, there is an overlap between customers and the broader economy, as the vast majority of Queensland residents are electricity customers (either part of their business or home activities). Hence, the impacts on electricity customers and the Queensland economy have been grouped together, but where possible the impacts on individual customer categories and the separate flow on effects to the economy have been separately identified to assist stakeholder consideration.
- business/industry—this group represents mainly the members of the electricity industry, but also covers the broader category of business and industry within Queensland. Because the electricity industry forms a subset of the broader business and industry sector, impacts affecting this sector have been grouped together.

Where possible, the impacts on the electricity industry have been separately identified from the non-customer impacts on the broader business and industry sector to assist stakeholder consideration.

- government—this group represents Commonwealth, State and Local Government bodies, excluding government-owned businesses.

The positive (+) and negative (-) effects of the impacts on each stakeholder group were compared in relation to the objectives of the *Electricity Act 1994*.

Apart from the impacts associated with the regulatory fees, it was not possible to quantify the impacts of the Option 2 or Option 3 because of a lack of quantifiable data on future benefits and costs. In such circumstances, a qualitative assessment of the impacts was undertaken for the non-quantifiable impacts, and in the case of fees, a cost-benefit assessment was completed.

For the purposes of the qualitative assessment, the relative importance of impacts were categorised by considering—

- Type of impacts—a description of the social, economic and political factors affected and the subsequent effect on legislative objectives;
- Direction of change—indicates an improvement (+) or decline (-) in social and economic factors;
- Scale—severity of the impact and the size/proportion of the population affected (high, medium, low).

- The table below describes the criteria for the categorisation of the impacts

Category	Criteria
Low	Little to no economic/social/political impacts affecting a small proportion of the population.
Medium	<ul style="list-style-type: none"> • Moderate economic/social/political impacts affecting a moderate proportion of the population; or • Little to no economic/social/political impacts affecting a large proportion of the population; or • Large economic/social/political impacts affecting a small proportion of the population.
High	Large economic/social/political impacts affecting a large proportion of the population.

10.2 Option 2—remake of the *Electricity Regulation 1994* (without changes)

The current regulatory arrangements are a mixture of co-regulation and explicit regulation that provides a solid framework for electricity industry participants which encourages the efficient, economical and environmentally sound supply and use of electricity.

An overview of the *Electricity Regulation 1994* is provided in Appendix 2.

It is considered that Option 2 has an appreciable impact on stakeholders in the following areas—

- (1) Technical restrictions affecting the type, configuration and use of electrical equipment by customers and electricity entities.
- (2) Technical restrictions which may affect/add to manufacturing costs.
- (3) Methods that electricity entities may use to charge customers for services.
- (4) Electricity restrictions in the Capricornia and Far North Queensland regions.
- (5) National Electricity Market compliance requirements for electricity entities and customers, including penalties for non-compliance.

- (6) Fees associated with transfers of electricity entity authorities, registration or transfers of items of prescribed electrical equipment, applications to change energy efficiency labels, inspection of the MEPS register, disconnection and reconnection of electricity supply, and meter inspection and testing.
- (7) General employment conditions and entitlements that apply to the government owned electricity industry.

The following provides an assessment of the overall impacts in each of these areas.

Technical

Customers/community impacts

The significant costs imposed by the technical provisions on customers are—

- customers must provide the facilities necessary to attach an overhead or underground service line to the customer's premises;
- customers must not operate equipment in a way that interferes with the electricity supply system or supply to other customers; and
- customers may be required to pay for reasonable costs associated with the provision of a service line beyond what the entity is obligated to provide.

On the whole, these costs are considered to have a Medium (-) effect because, while a large number of customers are affected, the overall cost of the technical requirements represents a small percentage of the total cost of building a home or business premises.

The benefits from the implementation of the technical requirements include delivery of a reliable supply of electricity that meets at least the minimum standards, and the employment of safe and environmentally sensitive work practices by electricity entities. Given that all electricity customers and a majority of electricity industry workers can take advantage of these benefits, and the fact that the benefits themselves have a significant positive impact on recipients' lifestyles, the benefits of the technical provisions are considered to be High (+).

Business/industry impacts

The technical provisions impose certain costs on electricity entities. Under these provisions electricity entities must pay—

- capital costs associated with building and operating equipment to meet technical requirements such as standards for frequency, voltage and earthing;
- costs associated with providing and installing service lines, and maintaining works in good order; and
- costs associated with the implementation of appropriate workplace practices.

Overall, the impact of these costs on the electricity entities are considered to be Low (-) to Medium (-) because the costs associated with the technical requirements imposed on the electricity entities are relatively small when compared to their overall costs of constructing and operating their distribution systems.

The benefits to the electricity entities from the implementation of the technical requirements and safe work practices are fewer customer supply complaints and workplace accidents. Given only a few electricity entities receive these benefits and the relatively small impact on the entities income, the benefits of the technical provisions are considered to be Low (+).

Government impacts

No impact or negligible impact on Government.

Overall

On balance, it is considered that the benefits that all customers and electricity entities obtain from the technical provisions (i.e. the provision of a secure, reliable and safe supply of electricity and safe and environmentally sensitive work practices) outweigh the costs associated with the implementation of the provisions.

Supply and sale

Customers/community impacts

The most significant costs imposed on customers by the supply and sale provisions include—

- connection and supply costs including fees and charges required under the National Electricity Rules;
- costs related to the provision of space, housing, access, meter mounting, and connection facilities;
- costs related to prescribed fees for meter testing; and
- costs associated with relocating the meter and control apparatus.

The customer connection and supply costs, including the costs associated with the provision of space, housing and mounting of meters and control equipment, affect a large proportion of the population and can be significant in a limited number of cases. However, these costs are one-off expenses which become relatively small when depreciated over the life of the assets involved. The ongoing costs associated with distribution charges for maintaining meter and control apparatus and providing access to meter and control equipment are generally small but affect a large number of people. The meter testing costs are small and only affect a small proportion of the population. On this basis therefore, the overall costs imposed on customers by the supply and sale provisions are considered to be Medium (-).

The benefits from the implementation of the supply and sale provisions include the delivery of a reliable supply of electricity that meets certain minimum standards, the protection of customers' safety through the installation of appropriate electricity control apparatus, and the protection of customers' rights in relation to quality of supply, disconnection, reconnection and metering disputes. Given all customers enjoy these benefits as well as the resulting improvement in lifestyle, the benefits derived from the supply and sale provisions have been assessed to be High (+).

Business/industry impacts

The most significant costs imposed on distribution entities by the supply and sale provisions include—

- distribution costs associated with providing, installing and maintaining meter and control apparatus; and
- distribution costs associated with the provision of testing services.
- The costs associated with providing, installing and maintaining meter and control apparatus form a significant proportion of a distribution entity's total costs, however these costs are recovered through the distribution charges on customers (which forms part of their cost of supply). Therefore, the impact of this regulatory requirement on distribution entities is nil.

The fee charged for meter testing does not cover the costs associated with the service. However, the number of meter testings undertaken by the distribution entities is small. Therefore, the overall impact of this requirement is considered to be Low (-).

The supply and sale provisions relate to the protection of customers and therefore few if any benefits accrue to business/industry.

Government impacts

No impact or negligible impact on Government.

Overall

On balance, it is considered that the benefits that customers obtain from the supply and sale provisions (i.e. the provision of a secure, reliable and safe supply of electricity, and the protection of customers' rights) outweigh the costs associated with the implementation of these provisions.

Electricity restrictions

Customer/community impacts

The electricity restriction regulations apply to electricity customers who are supplied electricity by 28 small, stand-alone supply systems, which are isolated from the main interconnected electricity system.

The stand-alone systems are operated by Ergon Energy in remote locations in Queensland, including the Torres Strait Islands,

Mornington Island, Palm Island and the mainland communities of Aurukun, Bamaga, Boulia, Burketown, Camooweal, Coen, Doomadgee, Kowanyama, Lockhart River, Mapoon and Pormpuraaw.

The technical characteristics of small isolated supply systems, which consist of a stand-alone generating plant connected to a small local distribution network, mean their supply capacity is limited. The electricity restrictions aim to ensure that customers' demand for electricity is kept within the available capacity and technical capability of the supply systems so that a constant and reliable supply of electricity can be provided. Without electricity restrictions, electricity supply to customers on isolated networks would be subject to interruptions (black-outs) and voltage dips (brown-outs), particularly when equipment which utilises a lot of power was used.

The electricity restrictions prohibit customers on isolated networks from using electrical equipment that uses a large amount of power on start-up, specifically large electric motors, industrial welders and instantaneous hot water systems with a rating of more than 2.4 kilowatts. There are exemptions for reasons of health, and for electric motors that are part of a public water supply or sewerage system.

The restrictions provide some sensible boundaries for customers when selecting electrical equipment they need, and prevent equipment being connected that would necessitate large upstream capital expenditures to maintain the quality of supply to other customers. In practice, customers choose electrical equipment which meet their needs without causing quality of supply issues for other customers. For example, customers may choose two smaller motors instead of one large motor.

These restrictions are long-standing, have a minimal impact and are generally accepted by the communities concerned. Previous, more onerous restrictions covering air conditioners, electric stoves and ovens and certain hot water systems, which applied in some communities, were removed in 2003.

While there are some costs to domestic and small business customers affected by the restrictions, these costs are considered to be Low (-) as they apply to a small proportion of the population, and only limit specific electrical equipment.

The electricity restriction provisions offer benefits to customers, in terms of greater reliability and quality of electricity supply through

the isolated networks. For customers, the benefits are considered to be significant and are assessed as Medium (+).

Business/industry impacts

In the absence of restrictions, customers may choose electrical equipment that has initial and ongoing load requirements which the existing electricity system cannot supply without causing reduction in the quality of supply to other customers. This would mean that large upstream capital expenditures would need to occur in order to protect the quality of supply to those other customers. These costs could not be passed on to the customers choosing this electrical equipment, because they are protected by the uniform tariff arrangements. Rather, these costs would be incurred by Ergon Energy (the owner and operator of the isolated networks). Accordingly, the electricity restriction provisions benefit Ergon Energy in terms of ensuring customers choose electrical equipment that is more suited to the configuration of the electricity system, and reducing the need for additional capital works expenditure. This also improves overall network reliability (benefiting all customers) and negates the need for Ergon Energy to install additional generation capacity and network equipment to meet increased electricity demand. These financial savings are passed on to the State Government in terms of a reduced Community Service Obligation liability.

Government impacts

The State Government also benefits as the financial savings made by Ergon Energy directly translate into a reduced Community Service Obligation liability associated with maintaining franchise tariffs in these high cost isolated areas. These benefits have been estimated to be in the same order as the financial savings made by Ergon Energy, and have been assessed to have a Medium (+) impact.

Overall

On balance, it is considered that the benefits customers, Ergon Energy and the State Government obtain from the implementation of the electricity restrictions outweigh the limited costs to customers.

Government owned corporations

The government owned corporation provisions set out general employment conditions and entitlements as they apply to the government owned electricity industry. In 1995, with the corporatisation of the electricity industry in Queensland, the State Government made a commitment that electricity industry employees would retain their employment benefits to which they had previously been entitled.

Customers/community impacts

These benefits, which are aligned generally with the Queensland public sector employment conditions, include entitlements such as long service leave of 13 weeks after 10 years service, transfer conditions, recognition of previous service and continuity of service, locality allowances and overtime arrangements. These entitlements benefit a large number of government owned electricity corporation employees. The impact of these benefits is considered to be Medium (+).

Business/industry impacts

As State Government employment conditions generally exceed standard industry employment conditions, there is some additional cost to the government owned electricity entities associated with the mandatory implementation of these provisions. The financial imposition of these provisions to the government owned electricity entities is considered to be Medium (-). However, on the positive side, these employment conditions help attract and retain skilled workers in the electricity industry. Given the difficulty and cost associated with finding and retaining skilled labour, this benefit is considered to be Medium (+).

Government impacts

These additional costs on the government owned electricity entities flow on to the owner (the State Government) in terms of reduced dividends. The financial imposition of these provisions to Government is considered to be Medium (-).

Overall

On balance, the overall impacts of the provisions associated with the government owned corporation employment conditions are negligible.

Contestability and market arrangements

The provisions relating to contestability in the *Electricity Regulation 1994* are designed to set out a clear process for the declaration of a customer as a contestable customer and the ongoing effects of a customer being so declared. The provisions set out the criteria that a customer must meet in order to qualify as a contestable customer and also set out various customer protection mechanisms including a mechanism for resolving disputes in relation to contestability matters.

The Market and System Arrangement provisions in the *Electricity Regulation 1994* tie the local laws to the National Electricity Law that applies throughout the whole of the inter-jurisdictional National Electricity Market. These provisions assist in ensuring secure and reliable supply of electricity to customers in Queensland and require industry participants operating an electricity facility to comply with the National Electricity Rules as a condition of their authorities issued under the *Electricity Act 1994*.

Provisions are also in place to reduce anti-competitive practices within the electricity industry and reduce barriers to entry into the Queensland market faced by small generators.

Customers/community impacts

Those customers who are able to participate in a contestable market have greater choice in terms of their electricity retailer and the nature of services they receive. This greater choice also creates more competition among Queensland electricity industry participants, placing a downward pressure on prices and improving service quality. These benefits are assessed to be High (+). Similarly, the benefits from ensuring the electricity system is adequately maintained and supply of electricity is secure and reliable are also High (+).

Business/industry impacts

There are costs to electricity entities associated with the contestability and market arrangements. These costs relate mainly to the maintenance of a secure and reliable electricity system and adherence to customer protection requirements. However, the maintenance costs are not additional costs as this is already a requirement under the National Electricity Law for electricity entities.

These costs, which could properly be described as mandatory operational costs of electricity entities, are considered to be Low to Medium (-).

Government impacts

The costs associated with the contestability and market arrangements provisions borne by the State Government are primarily related to administration costs associated with the monitoring and implementation of the provisions, and ensuring the customer protection requirements are met. These costs are considered to be Low (-).

Overall

On balance, the economic and social benefits of the contestable and market arrangements provisions are assessed to outweigh the financial costs to government and electricity entities in delivering on these provisions.

Review and appeal provisions and general provisions

The review and appeal provisions and general provisions aim to ensure an effective appeal mechanism is in place. These provisions apply to persons affected by decisions made under the *Electricity Regulation 1994*, who wish to appeal a decision made by the Regulator.

Customers/community impacts

Although appeals against decisions made by the Regulator are initiated by a small proportion of the population, technically these provisions could be used by a wider range of people. The risk of appeal also encourages a more sound decision-making process. Given the potential range of people with access to appeals, and the incentives for improved decision-making, the benefits of these provisions are considered to be Medium (+).

Business/industry impacts

Although appeals against decisions made by the Regulator are initiated by a small proportion of industry, technically these provisions could be used by all industry participants. The risk of appeal also encourages a more sound decision-making process. Given the potential range of industry participants with access to appeals, and the incentives for improved decision-making, the benefits of these provisions are considered to be Medium (+).

Government impacts

The cost of these provisions relate primarily to Government administration costs associated with the implementation of the provisions. Given the small number of reviews and appeals, the financial imposition is considered to be Low (-).

Overall

On balance, it is considered that the economic and social benefits of the review and appeal provisions and general provisions for the broader population outweigh the cost to Government of implementing the provisions.

Fees

Generally, fees should reflect reasonable costs incurred by the Regulator in managing, monitoring and enforcing the conditions of electricity licences. In addition to being cost-reflective, fees should also feature high levels of transparency, simplicity and predictability (that is, fees should not differ significantly from one year to the next,

and fees should be able to be easily calculated through the application of a clear methodology).

Queensland's use of a combination of fixed and variable fees provides a level of predictability and flexibility in its fee structure. Predictability is provided through clearly defined fixed and variable costs. With this information, electricity entities can identify future costs, and the probable regulatory costs associated with expansion. Overall, this approach helps contribute to a stable policy and regulatory environment, an important foundation for attracting and maintaining industry investment.

Jurisdictions are moving progressively towards full cost-reflectivity in their licence fee structures. The Commonwealth has taken significant steps towards this goal, following the Productivity Commission's report, *Cost Recovery by Government Agencies*. The report concluded that all cost recovery arrangements should have clear legal authority, and that, as a general principle, the administrative costs of regulation should be recovered so that the price of each regulated product incorporates the cost of efficient regulation (Productivity Commission 2001). The report also noted, however, that cost recovery should not be implemented where it would unduly stifle competition and industry innovation (Productivity Commission 2001:LIII, LVII)

While Queensland has yet to introduce a fully cost-reflective regime, the NCP Review of the Queensland *Electricity Act 1994* and *Electricity Regulation 1994* found the existing fee structure was not anti-competitive given its low-cost nature when compared to other jurisdictions (ACIL Consulting 2002).

The impacts associated with each fee are discussed in detail below.

Part 1—Licensing (sections 1-6)— Over the five year period from 2000 and 2004 the revenue generated through applications for electricity authorities and transfer of electricity authorities has averaged \$2,100 per calendar year (see table below). This amount reflects an average of

eight (8) applications for electricity authorities, and 2 applications for the transfer of electricity authorities per calendar year.

Year		Generation Authority	Retail Authority	Special Approval	Transfers of Authorities	TOTAL for Year
2000	No. of Authority applications	2	3	1	n/a	6
	Revenue from Fee	\$500	\$750	\$250	n/a	\$1,500
2001	No. of Authority applications	3	2	3	n/a	8
	Revenue from Fee	\$750	\$500	\$750	n/a	\$2,000
2002	No. of Authority applications	2	1	4	n/a	7
	Revenue from Fee	\$500	\$250	\$1,000	n/a	\$1,750
2003	No. of Authority applications	6	0	6	2	14
	Revenue from Fee	\$1,500	\$0	\$1,500	\$200	\$3,200
2004	No. of Authority applications	3	0	2	8	13
	Revenue from Fee	\$750	\$0	\$500	\$800	\$2,050
Average Number of Applications per year (2000-2004)		3.2	1.2	3.2	2	9.6
Average Revenue Generated per year (2000-2004)		\$800	\$300	\$800	\$200	\$2,100

Note—No applications were received for distribution or transmission authorities for the period of 2000 to 2004, and authorities could not be transferred until 2003 following amendments to the *Electricity Act 1994*.

Other than staff labour costs, the main cost to the Regulator in assessing applications for generation, transmission, distribution and retail⁶ authorities is the requirement to advertise that the application has been received in a newspaper in general circulation (traditionally, the Courier Mail), and invite submissions in respect of the application. The approximate average cost to place this type of advertisement is \$800, which far exceeds the application fee of \$250 for these types of authorities. While the current fee structure under the regulation allows for the recovery of reasonable costs associated with investigating whether an authority should be issued, the process to recover these costs can prove to be difficult, and therefore this provision has traditionally not been applied by the Department of Energy.

6 Applications for retail authorities made under section 204 of the *Electricity Act 1994* are required to be advertised, but those applications made under section 207D (where the applicant holds an interstate retail authority) are not required to be advertised.

Furthermore, what is considered to be “reasonable costs” is not transparent to applicants. Based on the average number of new authority applications from 2000 to 2004, the fee shortfall from advertising costs alone would cost the Government approximately \$3,200 per annum. It should be noted that since these fees were brought into force on 1 January 1995, they have not been amended at any point to reflect CPI increases.

Part 1—Energy efficiency (sections 7-11)—Energy labelling and registration of applicable equipment for Minimum Energy Performance Standards is mandatory in all States and Territories. While Queensland, New South Wales, South Australia and Victoria each have their own legislation and regulations in respect of energy labelling and MEPS, the programs are co-ordinated on a national basis through the Australian Greenhouse Office. Consequently the *Electricity Regulation 1994* (including the fees) are nationally consistent and only change through a national review process and agreement.

As noted earlier in this document, the elements of the *Electricity Regulation 1994* relating to energy labelling and MEPS, including the fees, will not be assessed in this RIS.

Part 2—Electricity entities’ fees—Other than an amendment in 2000 to reflect the application of GST, these fees have not been amended since commencement of the *Electricity Regulation 1994* on 1 January 1995. The fees in this Part are not reflective of the actual costs to the distribution entities or Regulator for the respective activities, but rather they are set at a level to ensure that the cost to the customers is not prohibitive for lower income households. This is essentially a customer protection measure.

Over the three years from 2002, the distribution entities have performed averages of approximately 20,000 reconnections after disconnection, and 450 meter tests per year, generating revenue of approximately \$560,000 per annum. Over the same period, there have been no meter check tests (i.e. meter tests undertaken by a competent person appointed by the Regulator).

Part 3—Fees for 13% gas scheme—As noted earlier in this document, the elements of the *Electricity Regulation 1994* relating to the 13% Gas Scheme, including the fees for Chapter 5A, will not be assessed in this RIS.

Customers/community impacts

- Part 1–Licensing (sections 1-6)—Licensing of electricity entities under the *Electricity Act 1994* provides benefits to the community and industry by ensuring that only “suitable”⁷ applicants are licensed, which supports the ongoing integrity of the Queensland electricity market. The licensing fees generally underpin the licensing process itself, which provides these benefits. These benefits are assessed to be High (+).
- Part 2–Electricity entities’ fees—Only a limited number of people in the community would be affected by these fees and they would not be imposed on those people very often. As noted above, the cost of the fees themselves on the community is \$560,000 per year.

The actual costs of disconnection, reconnection, and testing of meters can be much higher than the regulated fees, particularly in regional and remote areas of Queensland. The regulation of these fees is a customer protection measure which ensures that low income customers are not financially disadvantaged by the cost of reconnecting electricity supply after disconnection, as well as having their meters tested to ensure accuracy. As such, the level of these fees provides an important social benefit, which is assessed to be High (+).

Business/industry impacts

- Part 1–Licensing (sections 1-6)—As noted above, the licensing of electricity entities under the *Electricity Act 1994* provides benefits to industry by ensuring the ongoing integrity of the Queensland electricity market. These benefits are assessed to be High (+).

The current fee of \$250 to apply for an electricity authority and \$100 to apply for the transfer of an electricity authority represents a relatively insignificant cost to industry in the context of costs associated with construction, operation and maintenance of electricity infrastructure authorised under generation, distribution or transmission authorities and special approvals,

⁷ Refer to sections 180(2) to (7), 189(2) to (6), 197(2) to (7) and 205(2) to (8) of the Act which generally seeks to ensure that the applicant is honest, has sufficient experience, and is financially capable to undertake activities in the Queensland electricity market.

and the revenue potential for holders of retail authorities, which can run into many millions of dollars. Based on the average number of applications for electricity authorities and transfer of electricity authorities, these fees cost electricity entities \$2,100 per annum.

- Part 2—Electricity entities' fees—The revenue generated by these fees is relatively small at \$560,000 per year. However, the actual costs of disconnection, reconnection, and testing of meters can be much higher than the regulated fees. This cost difference represents a relatively low cost to industry in the context of costs associated with construction, operation and maintenance of electricity infrastructure and the revenue generated by customers overall. Hence, impact of these fees on the electricity entities has been assessed to be Low (-).

Government impacts

- The revenue generated through applications for electricity authorities and transfer of electricity authorities has averaged \$2,100 per annum.
- Generally, the costs of regulation are not covered by the revenue from application fees. In particular, the approximate cost to place advertisements, as part of the licensing process, far exceeds the application fee. Based on the cost difference alone, this fee shortfall would cost the Government approximately \$3,200 per annum.

Overall

On balance, the benefits provided by the fee structure to customers, industry and the Government outweigh the overall costs.

Overall impact of Option 2

The above analysis of the costs and benefits is also provided in tabular format in Appendix 3.

As can be seen from the above assessment, Option 2 provides a net benefit to the community as a whole, and particularly, provides

significant benefits to customers, who are an important stakeholder group based on the objectives of the *Electricity Act 1994*.

10.2 Option 3—remake of the Electricity Regulation (with changes)

Consultation with departmental staff and key electricity entities has identified a number of possible improvements to the current regulatory arrangements. These improvements aim to increase the operational effectiveness and efficiency of the *Electricity Regulation 1994* without creating any new powers or responsibilities. The significant changes to the *Electricity Regulation 1994* under this option are—

- Extending distribution entities' ability to require rural customers to install a circuit breaker, to include all customers.
- Clarification of distribution entities' entitlement in certain circumstances to seek capital contributions from customers towards the cost of extending or augmenting their networks to make supply available.
- Ensuring that customers provide unhindered access to meters or control apparatus.
- Clarification of adjustments which must be made to customer accounts that have been overcharged or undercharged.
- Clarification of compensation entitlements to owners whose premises may be used by distribution entities for substations or electrical equipment to service customers outside the premises.
- Clarification of distribution entities' responsibilities regarding the removal of a substation or electrical equipment from a property owner's premises, when it is no longer required.
- Ensuring consistency with the new regulatory regime for the standard contractual arrangements between distribution entities and their non-contestable customers and retail entities and their non-contestable customers.
- Requirement for host retail entities to submit Retailer of Last Resort plans/procedures to the Regulator.
- Allowing host retail entities to recover in their charges, for Retailer of Last Resort services, the cost of liabilities arising

under the 13% Gas Scheme and the Commonwealth Mandatory Renewable Energy Target Scheme.

- Extension of the licensing exemption granting standing special approvals to generators with a capacity of less than 30 megawatts, and who sell their output only to local retailers, to include all generators of such size regardless of who they sell their output to.
- Licensing fees have been changed to be more transparent and reflect the costs involved in investigating whether the licence should be issued. The main change proposed is that the licence application fees will expressly incorporate the costs of advertising associated with the licensing process.
- Generally, it is also proposed to increase prescribed fees in line with CPI changes.

The benefits and costs of these proposed changes are considered further below—

Technical

Option 3 extends the discretionary power of distribution entities to require customers to install a circuit breaker, from just rural areas, to all areas in Queensland. This is a discretionary power, and does not mean that all customers will necessarily be required to install a circuit breaker.

Customers/community impacts

The extension of this power to areas other than “rural areas” provides protection to the entities’ other customers in all areas, by helping ensure stable and safe electricity supply throughout the network. It is also an issue of public safety, as circuit breakers can prevent damage to customers’ electrical equipment and wiring, which potentially could lead to electrical fires. Hence, there should not be discrimination on the basis of where the customer lives, and the circuit breaker requirement should be treated consistently in both rural and urban areas.

The cost of a circuit breaker is relatively small (Low (-), in the range of \$70 to \$100 for a house) but it provides protection from significant

adverse impacts. For example, without a circuit breaker, if a customer overloads its connection point not only will that customer be adversely affected, but also neighbouring customers as well as the wider distribution network can suffer power outages and/or physical damage to electrical equipment. These benefits to other customers are considered to be Medium (+).

Business/industry impacts

This change also helps to protect distribution entities' networks in the event a customer overloads its connection point, and helps the entities achieve overall network security and reliability at a lower cost. These benefits to the distribution entities are considered to be Medium (+).

Government impacts

Nil/Negligible.

Overall

On balance, the benefits provided by circuit breakers to customers and the industry outweigh the additional cost to the customers.

Supply and sale

Option 3 makes a number of changes that clarify existing arrangements under the *Electricity Regulation 1994*. These changes do not impose any additional costs on the community or industry, and slightly reduce the administrative burden of Government by making clear the regulatory requirements on industry and customers. These clarifying changes are—

- It has been a longstanding practice for distribution entities to seek capital contributions from customers towards the cost of extending or augmenting their networks to make supply available. While this practice is provided for under the existing legislation, the *Electricity Act 1994* and *Electricity Regulation 1994* are not explicit on the issue of capital contributions. Therefore, there is a need to provide greater clarity and transparency about the existing arrangements for capital contributions. However, the capital contributions must be in

accordance with the Capital Contribution Policy approved by the Queensland Competition Authority (as part of its economic regulatory responsibilities under the National Electricity Rules). The Authority uses the principles of economic efficiency and equity to guide its assessment of the distributors' capital contributions policies. If the customer does not pay or agree to pay this capital contribution, then the distribution entity has no obligation to provide connection services.

- Clarify that if a customer has been undercharged, accounts can only be adjusted (shortfall recovered from customer) for no more than the past 12 months (unless the customer could reasonably be expected to be aware of the undercharging occurring). If a customer has been overcharged, accounts must be adjusted (overcharge refunded to customer) for the full period of overcharge unless there is insufficient evidence to determine what the period of overcharging was, in which case the refund should cover 12 months.
- Clarify that owners of premises, which have substations or other electrical equipment installed on the premises, are entitled to receive fair and reasonable compensation from distribution entities, in the form of annual rental for the additional space used to service customers outside the premises.
- Clarify that if requested by the owner, where supply to an owner's premises is no longer required, the distribution entity must take away, at its own cost, the substation or electrical equipment within a reasonable time. This ensures that property owners' rights are protected, while at the same time providing sufficient time for the distribution entity to make other arrangements for supply to the other customers provided through the substation/electrical equipment.

The other changes under Option 3, relating to supply and sale, are—

- Requiring customers to provide unhindered access to meters or control apparatus;
- Changes to standard contractual arrangements between distribution entities and non-contestable customers and retail entities and non-contestable customers;
- Requiring host retail entities to submit Retailer of Last Resort plans/procedures; and

- Allowing host retail entities to recover under the Retailer of Last Resort charges the liabilities under the 13% Gas Scheme and the Commonwealth Mandatory Renewable Energy Target Scheme.

The impacts from these changes are considered further below.

Customers/community impacts

- Option 3 will extend the existing requirement that customers provide safe access to meters or control apparatus, so that customers must also provide unhindered access to meters or control apparatus. This will enable the safe and efficient reading of meters and repair of meter and control apparatus when required. Customers will also be required to protect the meter and control apparatus from excessive dust, fibres or filings (in addition to the existing obligation to protect from vibration, weather etc). This change would impose a small cost on all customers, considered to be Low (-). However, this cost will be balanced by the more efficient service to customers in terms of more efficient and safer meter reading. The benefit to customers is assessed to be Low (+).
- In late 2004, a number of changes to the *Electricity Act 1994* created separate direct contractual relationships between distribution entities and their non-contestable customers as well as between retail entities and their non-contestable customers. These changes were made to support the implementation of the new guaranteed service level regime. The direct contractual arrangements will ensure there are clear lines of accountability for delivery of the distribution and retail businesses' obligations to their customers. This change in contractual relationships has meant a number of minor regulation changes are required to ensure that the terminology used in the *Electricity Regulation 1994* and the *Electricity Act 1994* are consistent.
- The benefits enjoyed by customers include the administrative efficiencies associated with the new contractual arrangements, and indirectly, access to the improved service levels and guarantee payments arising from the new minimum service levels and guaranteed service level regime. These benefits are assessed to be High (+).
- The proposed changes in Option 3 will allow a host retail entity to include in its charges, for retailer of last resort services, the

cost of liabilities arising under the 13% Gas Scheme and the Commonwealth Mandatory Renewable Energy Target Scheme. It was always intended that all costs would be passed through to customers during a Retailer of Last Resort event⁸. In essence, it is simply establishing cost-reflective pricing that the customer would normally pay in the market place at the time. Whilst customers are exposed to higher prices (reflecting the true cost of supply), they are free to leave the retailer of last resort arrangements at any time, and enter into alternative negotiated contracts with a retailer of their choice. Given the low likelihood of a Retailer of Last Resort event occurring, and the fact that the 13% Gas Scheme and the Commonwealth Mandatory Renewable Energy Target Scheme liabilities would be spread across a large number of customers, this cost has been assessed to be Low (-).

- Option 3 will also require a host retail entity to submit to the Regulator, upon request, a copy of the host retail entity's internal plans/procedures for managing a Retailer of Last Resort event. This will help ensure such entities have adequate plans/procedures in place to deal with a Retailer of Last Resort event which in turn will protect customers against the potential adverse affects of this type of event. This benefit to the community and customers is assessed to be Medium (+).

Business/industry impacts

- Unhindered access to meters or control apparatus will enable the safe and efficient reading of meters and repair of meter and control apparatus when required. This will ensure that the assets of the distribution entity are less likely to fail and require replacement, hence reducing potential outages and unnecessary capital investment. Distribution entities benefit in terms of lower operational and capital costs, which are considered to be Low (+).
- The changes to regulatory requirements to ensure consistency with the new direct contractual arrangements are not expected to create any new costs, powers or responsibilities, but may result in

⁸ In a contestable electricity market, it is possible that a retailer might make an unplanned exit from the market, leaving its customers without a retailer. A Retailer of Last Resort is a retailer to which these customers can be transferred in such circumstances.

some shifts of responsibilities between electricity entities. This may change costs/benefits experienced by individual electricity entities but does not affect the cost/benefit level to the industry as a whole. There may be some transitional administrative costs associated with the industry adjusting to these new contractual arrangements. These administrative costs are expected to be Low (-).

- The ability of host retail entities to include in their charges, for Retailer of Last Resort services, the cost of liabilities arising under the 13% Gas Scheme and the Commonwealth Mandatory Renewable Energy Target Scheme, will reduce the financial risk borne by the host retail entities associated with supplying the customers during a Retailer of Last Resort event, and ensure the continuing financial viability of the market. These benefits have been assessed to be Medium (+).
- The requirement for host retailers to submit a copy of their internal plans/procedures for managing a Retailer of Last Resort event is not expected to add significantly to the costs of those retailers because preparation of such management plans/procedures would be a normal part of undertaking their Retailer of Last Resort functions. Consequently, it is considered that the additional cost of providing this information to the Regulator would be negligible.

Government impacts

The clarification of the regulatory requirements on industry and customers slightly reduces the burden on Government of administering these arrangements. These benefits have been assessed to be Low (+).

Overall

On balance, it is considered that the economic and social benefits of the proposed supply and sale provisions outweigh the costs to implement the provisions.

Contestability and market arrangements

The other change under Option 3, relating to contestability and market arrangements, is an extension of the licensing exemption for generators with a capacity of less than 30 megawatts. Currently, generators with a capacity of less than 30 megawatts are deemed to have a special approval if they sell their electricity to a local retailer. Hence, such generators do not need to obtain or hold a generation licence. It is proposed that all generators with a capacity of less than 30 megawatts, will be deemed to have a special approval, regardless of who they sell their output to.

The impacts from this change are considered further below.

Customers/community impacts

- The proposed regulation extending the current licensing exemption will reduce the scope for anti-competitive outcomes and diminish the barriers to entry into the Queensland electricity market faced by small generators. This will benefit customers in terms of greater competition in the generation segment of the electricity market. However, given the small scale of generation involved and the limited number of potential new entrants, this benefit has been assessed to be Low (+).

Business/industry impacts

- The proposed regulation extending the current licensing exemption will diminish the barriers to entry into the Queensland electricity market, because generators with a capacity of less than 30 megawatts will not need to go to the expense of obtaining and holding a generation licence. This will allow more of these generators to operate in Queensland. Given the small scale of generation involved and the limited number of potential new entrants, the benefits to such generators has been assessed as Low (+).

Government impacts

- The proposed regulation, which extends the current licensing exemption that applies to small generators, would encourage the development of new small generation facilities. Because many

renewable generation facilities are small scale, the extension of this licensing exemption would assist in the delivery of the Government's policy of promoting generation from renewable resources. This policy benefit has been assessed to be Low (+). It is not expected that these changes will have any appreciable costs on industry or Government.

Overall

On balance, it is considered that the economic and social benefits of the proposed contestability and market arrangements provisions outweigh the costs to implement the provisions.

Fees

The proposed fee structure under Option 3 seeks to maintain transparency, simplicity and predictability. The proposed fee structure will provide greater cost reflectivity, reducing the financial burden on the State Government, without a significant impact on industry.

The impacts associated with the proposed fee structure are discussed in detail below.

Application Type	Current Fee	Proposed New Application Fee
Generation Authority (Licence) Application	\$250.00 plus reasonable costs incurred by the Regulator in investigating whether the authority should be issued	\$1,130.00 (\$330 + \$800 for advertising)
Transmission Authority (Licence) Application	\$250.00 plus reasonable costs incurred by the Regulator in investigating whether the authority should be issued	\$1,130.00 (\$330 + \$800 for advertising)
Distribution Authority (Licence) Application	\$250.00 plus reasonable costs incurred by the Regulator in investigating whether the authority should be issued	\$1,130.00 (\$330 + \$800 for advertising)
Retail Authority (Licence) Application (Section 204)	\$250.00 plus reasonable costs incurred by the Regulator in investigating whether the authority should be issued	\$1,130.00 (\$330 + \$800 for advertising)

Application Type	Current Fee	Proposed New Application Fee
Retail Authority (Licence) Application (Section 207D - no advertising required)	\$250.00 plus reasonable costs incurred by the Regulator in investigating whether the authority should be issued	\$330.00
Special Approval (Licence) Application (no advertising required)	\$250.00 plus reasonable costs incurred by the Regulator in investigating whether the authority should be issued	\$330.00
Transfer of a generation, transmission or distribution authority (licence) or special approval	\$100.00	\$105.00

Part 1—Licensing (sections 1-6)—The table below outlines the proposed changes to the fees for applications for electricity authorities and transfer of electricity authorities—

Currently, the fee provisions in the *Electricity Regulation 1994* allow the Regulator to recoup any reasonable costs incurred in investigating whether the authority should be issued. A major cost component of processing an application for a generation, transmission, distribution or retail authority is the requirement for the Regulator to advertise the application in a Queensland-wide newspaper for the purpose of inviting submissions from interested parties. The average cost to advertise an application for these electricity authorities is approximately \$800. While the current fee structure allows for these advertising costs to be recovered from the applicant, it is proposed that the “reasonable cost” provision be removed and replaced with a simpler and more transparent flat fee structure which covers the advertising costs.

Since these fees were brought into force on 1 January 1995, they have not been amended at any point to reflect CPI increases. As such, the proposed new fee for applications for generation, transmission, distribution and retail authorities (under section 204 of the *Electricity Act 1994*) reflects the application of the appropriate CPI increase from 1 January 1995 to 1 January 2006 for the Brisbane region (representing a 33.8% increase) to the current \$250 application fee, plus the average cost of the required advertising. The \$1,130 fee (\$330 + \$800 for advertising costs) follows the general Government

principle that licensing fees should be cost-reflective, transparent and predictable.

Applications for retail authorities made under section 207D of the *Electricity Act 1994* (where the applicant holds an interstate retail authority), and applications for special approvals do not have this advertising requirement. As such, the fees for these applications should not incorporate the extra cost incurred for applications which are required to be advertised. The fee increase from \$250 to \$330 reflects the application of CPI increases over the period from 1 January 1995 to 1 January 2006.

The current \$100 application fee for transfer of a generation, transmission or distribution authority or special approval was first included in the *Electricity Regulation 1994* on 19 August 2003. Therefore the CPI adjustment for this fee covers the term from 1 June 2003 to 1 January 2006 (representing a 7.3% increase), resulting in a proposed fee of \$105. There is no requirement for the Regulator to advertise when an application for an authority transfer has been received.

Based on the average number of applications received over the last five years, average annual revenue generated by these fees will increase from \$2,100 to \$6,170. While still not fully cost reflective, the revenue generated from the proposed fees will cover a significant portion of the costs associated with investigating whether the authority should be issued.

These application fees only apply to sizeable energy corporations. Therefore, it is considered that the proposed fee increases will not impose any appreciable financial hardship or impediment to electricity authority applicants, as the costs are insignificant in comparison to the development, construction and operational costs associated with the electricity projects (such as new generating plant) authorised by these authorities. Furthermore, the proposed licensing application fees will bring the fee structure into line with fees charged by NEMMCO and other states, which range from \$500 to \$1,700 for retail, distribution, transmission and generation applications.

Part 1—Energy efficiency (sections 7-11)—Energy labelling and registration of applicable equipment for MEPS is mandatory in all States and Territories. Each State and Territory in Australia is responsible for administering its own legislation and regulation, with the Australian Greenhouse Office coordinating the implementation of the regulations on a national basis.

The fees associated with the MEPS program are generally consistent across the States, and the relativity of fee levels are taken into account within national review processes. Given these national processes, it is not proposed to change the MEPS fee levels.

Part 2—Electricity entities' fees—These fees apply to electricity customers seeking to be reconnected after disconnection for debt or other default, or seeking to have a meter tested (noting that the *Electricity Regulation 1994* provides for the refund of meter test fees if the test finds the meter is faulty).

Other than an amendment in 2000 to reflect the application of GST⁹, these fees have not been amended since commencement of the *Electricity Regulation 1994* on 1 January 1995. The CPI increases for the Brisbane region from 1 January 1995 to 1 January 2006 is 33.8%. In order to reduce the impact on customers, who are less able to absorb such fee increases, it is proposed to phase in a 30% increase on these fees over three years. In the first year the electricity entities' fees would increase by 10%, in the following year they would increase by 10% plus CPI for that year, and the final year they would increase by 10% plus CPI for that year.

The table below outlines the historical, current and proposed fees for this Part.

Fee type	Fee @ 1 Jan 1995	Fee 2000 to Present (Incl. GST)	Proposed New Fee 1 st Year (Incl. GST)	Proposed New Fee 2 nd Year (Incl. GST)	Proposed New Fee 3 rd Year (Incl. GST)
Reconnection of supply after disconnection for customer default under section 31					
Ordinary working hours	\$25.00	\$27.45	\$30.20	\$32.95+CPI	\$35.70+CPI
Outside ordinary working hours	\$60.00	\$65.85	\$72.45	\$79.00+CPI	\$85.60+CPI
Testing of a meter by the distribution entity	\$10.00	\$10.95	\$12.05	\$13.15+CPI	\$14.25+CPI
Inspection and testing of a meter by a competent person (arranged by the Regulator)	\$100.00	\$109.80	\$120.80	\$131.75+CPI	\$142.75+CPI

9 The Commonwealth Goods and Service Tax is applicable to goods and services provided by electricity entities to the public.

Even with the full application of CPI increases to these fees, they are not reflective of the actual costs to the distribution entities or Regulator for the respective activities, and indeed, the actual costs vary markedly depending on the customer's geographic location. They are set at the current levels as a customer protection measure to ensure that the cost to the customers for these activities is not prohibitive for lower income households. Increasing these fees significantly to reflect the actual costs of performing these activities could, in the case of lower income households, disadvantage customers by imposing financial impediments to having their electricity supply reconnected after a disconnection for customer default (such as failing to pay debt or contravention of the *Electricity Act 1994* or *Electricity Regulation 1994*), or having their meter tested if they believe that the meter is faulty.

The application of CPI to the fees in this Part is consistent with government practice for periodically reassessing fee levels, and will not impose significant financial hardship on customers who are subject to these fees, while providing some recognition that the costs incurred by the electricity entities in performing the activities associated with the fees have risen appreciably since the fees were introduced.

Customers/community impacts

- Part 1–Licensing (sections 1-6)—No impact on customers/community.
- Part 2–Electricity entities' fees— While the proposed fees will be about 30% higher than Option 2, the increase will be phased in over three years. The impact of this fee increase would be relatively small considering the fact that only a limited number of people in the community would be affected, and the fees would not be imposed on those people very often. Based on average numbers of reconnections after disconnections and meter tests, the additional cost of the fee increase on the community has been estimated to be \$56,300 per year for three years (a total additional cost of \$168,900).

Business/industry impacts

- Part 1–Licensing (sections 1-6)—The fee of \$1,130 to apply for an electricity authority and \$105 to apply for the transfer of an

electricity authority represents a relatively insignificant cost to industry in the context of costs associated with construction, operation and maintenance of electricity infrastructure, used by the generation, distribution or transmission authority holders and special approval holders, and the revenue potential for holders of retail authorities. Based on the average number of applications for electricity authorities and transfer of electricity authorities, these fees would cost electricity entities an additional \$4,070 per annum.

- Part 2—Electricity entities' fees— The actual costs of disconnection, reconnection, and testing of meters can be much higher than the proposed regulated fees and the revenue generated by the proposed fees is still relatively small. However, the electricity entities do receive some benefit from the additional revenue from the increased fees, which has been estimated to be \$56,300 per year for three years (a total additional revenue of \$168,900).

Government impacts

- The revenue generated through applications for electricity authorities and transfer of electricity authorities will provide an additional \$4,070 per annum.
- The proposed fee structure provides greater support for the Government's policy of full cost-reflectivity and has been assessed to provide an additional policy benefit of Low (+).

Overall

Overall, the proposed Electricity Regulation 2006 fee structure provides greater cost reflectivity, and reduces the financial burden on the Government as compared to Option 2, without a significant impact on industry or the community.

Overall impact of Option 3

The above analysis of the costs and benefits is also provided in tabular format in Appendix 4.

As can be seen from the above qualitative assessment, Option 3 provides additional net benefits to community as a whole, above those provided by Option 2. This option also provides these additional benefits at minimal cost.

11 Conclusion

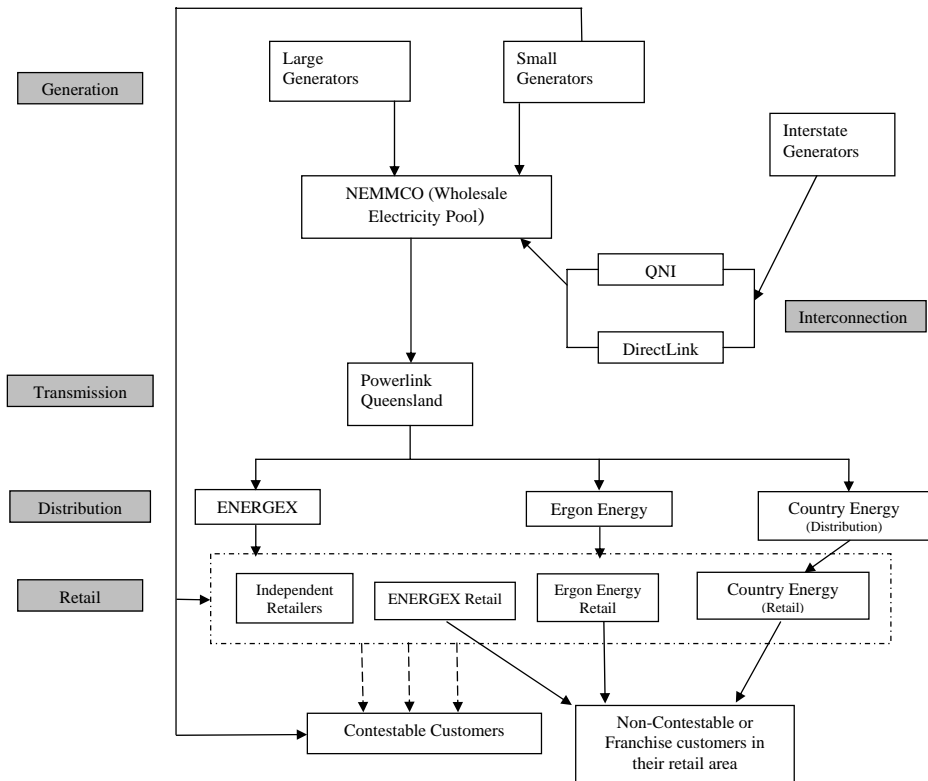
The qualitative assessment indicates that the proposed Electricity Regulation 2006 (Option 3) will provide the highest net benefits to industry, Government and the wider community of the considered alternatives. Customers in particular, who are identified by the *Electricity Act 1994* as an important stakeholder group, are clearly protected and receive net benefits.

The analysis also indicates that the proposed fee structure of the proposed Electricity Regulation 2006 will not have a significant adverse impact on industry or the wider community and will align fees more closely with the Government's general aim of full cost reflectivity in all fee structures.

Accordingly, Option 3, the proposed Electricity Regulation 2006, is the most appropriate means of achieving the policy objectives outlined in the *Electricity Act 1994*. The required outcomes cannot be satisfactorily achieved by alternative legislation or non-legislative means.

Appendix 1

Figure 1: Structure of the Queensland Electricity Supply Industry



Appendix 2 Overview of the requirements of the Electricity Regulation 1994

(Chpt 2)—Technical requirements and compliance obligations

The *Electricity Regulation 1994* (the Regulation) sets out the technical requirements and compliance obligations associated with customers' electric installations and the design, building and maintenance of electric lines and works. These technical provisions aim to ensure delivery of a reliable and secure supply of electricity to customers that meets specified minimum performance standards as they relate to the technical aspects of electricity delivery such as earthing, frequency and voltage, customer electrical installations, works in publicly controlled places and general maintenance.

(Chpt 3 Parts 1 to 4)—Electricity supply and sale rights, requirements and compliance obligations

The Regulation sets out the rights and obligations of electricity retail and distribution entities to customers and vice versa. The objectives of these supply and sale provisions are to ensure general customer protection and non-discriminatory delivery of retail and distribution services, in accordance with the requirements of approved industry codes and standards.

(Chpt 3 Part 5 and Sch 1)—Electricity Restrictions

The Regulation sets out electricity restriction requirements. These provisions aim to ensure a regular, economically efficient and constant supply of electricity to certain networks, or parts of networks in central and far north Queensland localities, by limiting and/or prohibiting the use of certain electrical equipment, the operation of which has the capacity to affect the quality of electricity supply in these areas.

Appendix 2 (continued)

(Chpt 3 Parts 6 and 7, Chpt 4, Chpt 5, Chpt 9 Part 2, and Sch 2 and 3)—Contestability and Market arrangements and compliance obligations

The Regulation establishes the requirements for contestability and how customers can apply to become contestable customers. It also sets out the metering obligations for contestable customers and how disputes about contestability are resolved.

The Regulation also deals with market and system arrangements and compliance obligations for electricity retail, distribution, transmission and generation entities regarding the operation of electrical installations, supply networks and network control functions. These provisions aim to ensure that Queensland electricity entities operate their supply networks in accordance with National Electricity Market requirements and do not adversely affect the performance of the Queensland electricity system.

Chpt 5A—The 13% Gas Scheme

Regulations relating to the 13% Gas Scheme are not the subject of this RIS.

(Chpt 6 and Sch 4)—Minimum energy efficiency performance and labelling requirements and compliance obligations

The Regulation sets out the minimum energy efficiency performance and labelling requirements for prescribed electrical equipment. Minimum Energy Performance Standards (MEPS) are legislated, mandatory levels of energy performance which set minimum levels of energy efficiency that electrical items must meet in order to be sold in the Australian marketplace. Prescribed electrical equipment also must display energy efficiency labelling at the point of sale. Each state or territory is responsible for administering its own legislation and regulations and the requirements are coordinated nationally through the Australian Greenhouse Office.

These provisions set out the prescribed fees and requirements for the registration and testing of prescribed electrical equipment and energy efficiency labelling, and penalties for non-compliance with these requirements. The aim of these provisions is to ensure that electrical

Appendix 2 (continued)

equipment meets national minimum efficiency standards and purchasers are adequately informed about the energy efficiency of electrical equipment.

(Chpt 7 and Chpt 9 Part 6) – Employment conditions and entitlements

The Regulation sets out the general employment conditions and entitlements for electricity industry employees working in the Government-owned electricity industry. These provisions define relevant awards, what is continuous service, the effect of transfers, secondments, periods of absence, illness, leave and public holidays on employment status, employee allowances and long service leave entitlements and calculations. These provisions preserve certain employment conditions and entitlements of persons moving between electricity corporations.

(Chpt 8, Sch 5 to 7) – Appeals process

The Regulation sets out the appeals process for the review of certain decisions made by the Regulator under the Act. These provisions set out who may make an appeal, the decisions against which a person may apply for a review, how to make an application for appeal, the powers of the court on appeal and the effect of the court's decision on appeal. The purpose of these provisions is to ensure customer rights are protected and that adequate appeal avenues exist for adversely affected parties.

(Chpt 1, Chpt 9 Parts 3, 4 and 8 and Sch 9) – General Provisions

The Regulation includes some general miscellaneous provisions. These provisions establish how the *Freedom of Information Act 1992* and *Judicial Review Act 1991* are to be applied to State electricity entities, declares particular entities as State electricity entities, approves the Electricity Supply Industry Superannuation Fund as an industry superannuation scheme and provides for a number of transitional matters. The Regulation also contains a dictionary which defines key terms used in the Regulation.

Appendix 2 (continued)**(Schedule 8)—Fees**

The Regulation sets out fees associated with the regulation of the electricity industry including administrative charges for applications and/or transfers of electricity entities' authorities, registration or transfers of items of prescribed electrical equipment, applications to change energy efficiency labels, inspection of the MEPS register, disconnection and reconnection of electricity supply, and meter inspection and testing.

Appendix 3

REMAKE REGULATION (no changes)

Appreciable Impact Areas	Customers/Community Costs/Benefits	Direction/Scale	Business/Industry Costs/Benefits	Direction/Scale	Government Costs/Benefits	Direction/Scale	Overall Impact
Technical	<p><i>Costs</i></p> <ul style="list-style-type: none"> customers must provide the facilities necessary to attach an overhead or underground service line to the customer's premises; customers must not operate equipment in a way that interferes with the electricity supply system; and customers must pay for the reasonable costs of service lines beyond what is obligated. <p><i>Benefits</i></p> <ul style="list-style-type: none"> helps ensure more secure and reliable electricity supply; electricity supply meets minimum standards; and technically consistent work practices enhance safety. 	Med (-) Med (-) Med (-)	<p><i>Costs</i></p> <ul style="list-style-type: none"> costs associated with building and operating equipment to meet technical provisions such as frequency, voltage and earthing requirements; costs associated with providing and installing service lines, maintaining works in good order; and costs associated with the implementation of appropriate workplace practices. <p><i>Benefits</i></p> <ul style="list-style-type: none"> fewer customer supply complaints and workplace accidents. 	Med (-) Med (-) Low (-)			Med (+)
Supply and Sale	<p><i>Costs</i></p> <ul style="list-style-type: none"> the cost of connection and supply, including fees and charges required under the National Electricity Rules; the cost of maintaining the space, equipment, access, meter mounting, and connection facilities as per the requirements of the Act or a customer connection contract; prescribed fees for meter testing; and costs associated with relocating meter and control apparatus. 	Med (-) Med (-) Med (-) Med (-)	<p><i>Costs</i></p> <ul style="list-style-type: none"> all costs associated with the installation of meters and control apparatus; costs of meter testing 	Nil Low (-)			Med (+)

Appendix 3 (continued)

Appreciable Impact Areas	Customers/Community Costs/Benefits	Direction /Scale	Business/Industry Costs/Benefits	Direction/Scale	Government Costs/Benefits	Direction /Scale	Overall Impact
	<p><i>Benefits</i></p> <ul style="list-style-type: none"> a secure and reliable supply of electricity that meets minimum standards; the protection of consumers' rights in relation to disputes over quality of supply and metering; and the protection of consumers' safety through the installation of appropriate electricity control apparatus. 	High (+) High (+) High (+)					
Restrictions	<p><i>Costs</i></p> <ul style="list-style-type: none"> use of certain electrical equipment in isolated networks is restricted. <p><i>Benefits</i></p> <ul style="list-style-type: none"> improved reliability and quality of supply. 	Low (-) Med (+)			<p><i>Benefits</i></p> <ul style="list-style-type: none"> reduction of consumers use of high consumption/high demand electrical equipment reduces State Government's Community Service Obligation liability. 	Med (+)	Med (+)
Government Owned Corporation	<p><i>Benefits</i></p> <ul style="list-style-type: none"> employment conditions which exceed standard industry conditions. 	Med (+)	<p><i>Costs</i></p> <ul style="list-style-type: none"> financial cost associated with the employment conditions. <p><i>Benefits</i></p> <ul style="list-style-type: none"> help attract and retain skilled labour. 	Med (-) Med (+)	<p><i>Costs</i></p> <ul style="list-style-type: none"> associated with the mandatory implementation of GOC provisions. 	Med (-)	Negligible
Contestability and Market Arrangements	<p><i>Benefits</i></p> <ul style="list-style-type: none"> access to a competitive market; and secure and reliable supply. 	High (+) High (+)	<p><i>Costs</i></p> <ul style="list-style-type: none"> mandatory operational costs associated with maintaining a secure and reliable network. 	Low to Med (-)	<p><i>Costs</i></p> <ul style="list-style-type: none"> administration of regulatory requirements. 	Low (-)	Med (+)
Review and Appeal Provisions and General Provisions	<p><i>Benefits</i></p> <ul style="list-style-type: none"> effective appeals mechanism. 	Med (+)	<p><i>Benefits</i></p> <ul style="list-style-type: none"> effective appeals mechanism. 	Med (+)	<p><i>Costs</i></p> <ul style="list-style-type: none"> administration costs. 	Low (-)	Low (+)

Appendix 3 (continued)

Appreciable Impact Areas	Customers/Community Costs/Benefits	Direction/Scale	Business/Industry Costs/Benefits	Direction/Scale	Government Costs/Benefits	Direction/Scale	Overall Impact
Fees	<p><i>Costs</i></p> <ul style="list-style-type: none"> the cost of electricity entity fees. <p><i>Benefits</i></p> <ul style="list-style-type: none"> licence fees underpin the licensing of entities, which in turn ensures the ongoing integrity of the market; and disconnection, reconnection and meter testing fees are much lower than the cost of the service, ensuring all customers are able to exercise their rights. 	<p>-\$560,000*</p> <p>High (+)</p> <p>High (+)</p>	<p><i>Costs</i></p> <ul style="list-style-type: none"> annual cost of licensing fees; and the actual cost of disconnection, reconnection and testing of meters is higher than the regulated fee. <p><i>Benefits</i></p> <ul style="list-style-type: none"> licence fees underpin the licensing of entities, which in turn ensures the ongoing integrity of the market; and revenue from electricity entity fees. 	<p>-\$2,100*</p> <p>Low (-)</p> <p>High (+)</p> <p>Low (+)</p>	<p><i>Costs</i></p> <ul style="list-style-type: none"> costs of regulation (advertising in particular not covered by licensing fees. <p><i>Benefits</i></p> <ul style="list-style-type: none"> average revenue from licence fees. 	<p>-\$3,200*</p> <p>+\$2,100*</p>	Med (+)

* Dollar amounts are based on an average figure over several years, and represent expected total fees from all businesses per annum.

Appendix 4

REMAKE REGULATION (with changes)

Appreciable Impact Areas	Customers/Community Costs/Benefits	Direction /Scale	Business/Industry Costs/Benefits	Direction/Scale	Government Costs/Benefits	Direction /Scale	Overall Impact
Technical	<p><i>Costs</i></p> <ul style="list-style-type: none"> cost of installing a circuit breaker. <p><i>Benefits</i></p> <ul style="list-style-type: none"> circuit breakers protect customers from power outages, surges etc, and assist in ensuring a safe, secure reliable supply throughout network. 	<p>Low (-)</p> <p>Med (+)</p>	<p><i>Benefits</i></p> <ul style="list-style-type: none"> circuit breakers protect distribution entities' assets and help ensure a secure and reliable supply throughout the Queensland network. 	Med (+)			Med (+)
Supply and Sale	<p><i>Costs</i></p> <ul style="list-style-type: none"> cost of maintaining unhindered access to meter or control apparatus, and protecting meter or control apparatus; and allow host retail entities to recover in their charges, for retailer of last resort services, the cost of liabilities arising under 13% Gas Scheme. <p><i>Benefits</i></p> <ul style="list-style-type: none"> more efficient service meter reading; administrative efficiencies associated with the new contractual arrangements, and indirectly, improved service levels and guarantee payments; and ensure adequate retailer of last resort plans are in place. 	<p>Low (-)</p> <p>Low (-)</p> <p>High (+)</p> <p>Med (+)</p>	<p><i>Costs</i></p> <ul style="list-style-type: none"> administrative costs of adjusting to new contractual arrangements cost of preparing internal plans/procedures for managing retailer of last resort event <p><i>Benefits</i></p> <ul style="list-style-type: none"> safer meter reading and lower operational costs; and allow host retail entities to recover in their charges, for retailer of last resort services, the cost of liabilities arising under 13% Gas Scheme. 	<p>Low (-)</p> <p>Negligible</p> <p>Low (+)</p> <p>Med (+)</p>	<p><i>Benefits</i></p> <ul style="list-style-type: none"> reduces administrative burden by clarifying regulatory arrangements. 	<p>Low (+)</p>	Med (+)

Appendix 4 (continued)

Appreciable Impact Areas	Customers/Community Costs/Benefits	Direction/Scale	Business/Industry Costs/Benefits	Direction/Scale	Government Costs/Benefits	Direction/Scale	Overall Impact
Contestability and Market Arrangements	<p><i>Benefits</i></p> <ul style="list-style-type: none"> reduces the potential for anticompetitive practices in generation by allowing easier entry for small generation. 	Low (+)	<p><i>Benefits</i></p> <ul style="list-style-type: none"> allows easier entry for small generation. 	Low (+)	<p><i>Benefits</i></p> <ul style="list-style-type: none"> assists government delivery of the promotion of generation from renewable sources. 	Low (+)	Low (+)
Fees	<p><i>Costs</i></p> <ul style="list-style-type: none"> the additional cost of electricity entry fees. 	-\$168,900 [#]	<p><i>Costs</i></p> <ul style="list-style-type: none"> annual cost of licensing fees. <p><i>Benefits</i></p> <ul style="list-style-type: none"> additional revenue from electricity entry fees. 	-\$4,070 [*]	<p><i>Benefits</i></p> <ul style="list-style-type: none"> additional revenue from licence fees; and additional policy benefit by greater support for full cost reflectivity. 	+\$4,070 [*] Low (+)	Low (+)

* Dollar amounts are based on an average figure over several years, and represent expected total fees from all businesses per annum.

The impact from these fee increases will be phased in over a three year period.

ENDNOTES

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