

## ESTIMATES QUESTION ON NOTICE

### No. 1

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#### QUESTION:

Given the Service Delivery Statement notes the Department is responsible for policy development to ensure cost-effective energy supply, can the Minister provide quantitative data and qualitative analysis for the annual cost (\$) and proportion (%) for a typical Queensland household electricity bill for the following electricity cost drivers from 2004-05 to 2014-15 (reported separately):

- a. Wholesale energy (generation);
- b. Network (poles and wires);
- c. Retail;
- d. Carbon Tax;
- e. Solar Bonus Scheme; and
- f. Green Schemes (renewable energy target).

#### ANSWER:

There have been significant changes to components of electricity costs over the past decade, including the addition of new charges, including the carbon tax, the Renewable Energy Target (RET) and the Solar Bonus Scheme (SBS).

There have also been changes to the way electricity costs have been calculated, making comparisons over time difficult. The focus of this analysis is on the period since 2007-08 and the introduction of Full Retail Competition in South East Queensland. This is also the first time that regulated prices were determined by the Queensland Competition Authority (QCA). From 2007-08 to 2011-12 the Benchmark Retail Cost Index was the methodology used to calculate regulated prices, which calculated total costs, which were then divided by the State load to apply a uniform percentage increase across all tariffs irrespective of where cost increases occurred.

Prior to this date, prices were generally increased by CPI across the board. As such, there is no individual break down of cost components.

Similarly, the SBS was introduced in 2008-09, however the cost of this was not reported on individually prior to 2013-14.

All comparisons have assumed average Tariff 11 consumption of around 4,100 kilowatt hours per annum, which is consistent with the 2014-15 Final Determination. Bill impacts may have altered from annual increases as a uniform level of consumption has been used for comparison purposes.

A graphical representation of the breakdown of cost components from 2007-08 to 2014-15 is at Attachment 1.

Further analysis of the cost components is provided below.

### *Wholesale energy (generation)*

Wholesale energy costs are the costs associated with generating electricity and have remained fairly stable at between 5 and 6 cents per kilowatt hour (c/kWh) and costing around \$250 to \$300 per year. Its contribution to the overall bill has diminished over time from 44 per cent in 2007-08 to 19 per cent in 2014-15.

### *Network costs (poles and wires)*

Network costs remain the most significant cost component of an electricity bill and have consistently contributed to around half of the total cost. Annual network costs have risen from about \$300 in 2007-08 to nearly \$640 in 2014-15.

In 2007-08 network costs comprised 45.9 per cent of the bill with annual increases, to a maximum of 53.3 per cent of a bill in 2011-12. The proportion of a bill has decreased since 2011-12 with network costs accounting for 44 per cent of a bill in 2014-15.

Network costs are approved for a five year regulatory determination period by the Australian Energy Regulator. The next regulatory period will run from 2015-20 and network costs are expected to stabilise in this period.

### *Retail costs*

This component covers a number of retail costs including retail operating costs (ROC), retail margin and headroom, with almost half of the retail costs calculated by the QCA included to facilitate or improve competition.

Between 2007-08 and 2012-13 retail costs accounted for between 10-12 per cent of the bill. In 2013-14, this increased to 22.3 per cent of the bill. According to the QCA, there was an increase in retail operating costs (ROC) which came as a result of the benchmarking approach being updated to take account of the most recent interstate estimate by the Independent Pricing and Regulatory Tribunal (in NSW). The retail margin also increased from 5.4 per cent to 5.7 per cent of total costs, reflecting an updated assessment of the risks retailers face in providing retail electricity services.

However, the level of increase was also influenced by a change in methodology in 2012-13 to a cost-reflective approach and the inclusion of a specific headroom allowance of 5 per cent of a cost reflective tariff. This change was not apparent to customers as Government applied a freeze to Tariff 11 in 2012-13, with the only additional cost that consumers paid being the cost of carbon. As a result of this, in 2012-13 consumers did not pay any increased retail costs and this accounts for part of the large increase in the retail cost proportion of the bill in 2013-14.

In 2014-15, ROC increased marginally in line with inflation, but continues to account for a similar proportion of the bill, contributing around \$285 to an annual bill.

### *Carbon tax*

The carbon tax was introduced on 1 July 2012 and is considered an energy cost. In 2012-13 the carbon tax contributed around 11 per cent of a bill. This was the only increase consumers experienced in 2012-13, as Government applied a freeze to Tariff 11 at the 2011-12 price (plus the carbon tax), consistent with its election commitment.

The impact of the carbon tax reduced to 7.4 per cent in 2013-14 and 7 per cent in 2014-15. The removal of the carbon tax will bring immediate price relief to Queensland households and remove a cost of \$170 (based on Tariff 11 and a controlled load tariff) in 2014-15.

### *Solar Bonus Scheme (SBS)*

The SBS was introduced in 2008-09 and provides a 44 c/kWh feed-in-tariff (FiT) for electricity exported back to the grid from solar PVs. SBS costs are considered a network cost and are paid for by all customers, including those without solar. In 2012, in order to address rising costs, the Government moved to reduce the FiT to 8 c/kWh for new applicants.

The individual costs for the SBS costs are not available prior to 2013-14 when the transition of Tariff 11 to cost-reflectivity by 2015-16 commenced, which required a new methodology.

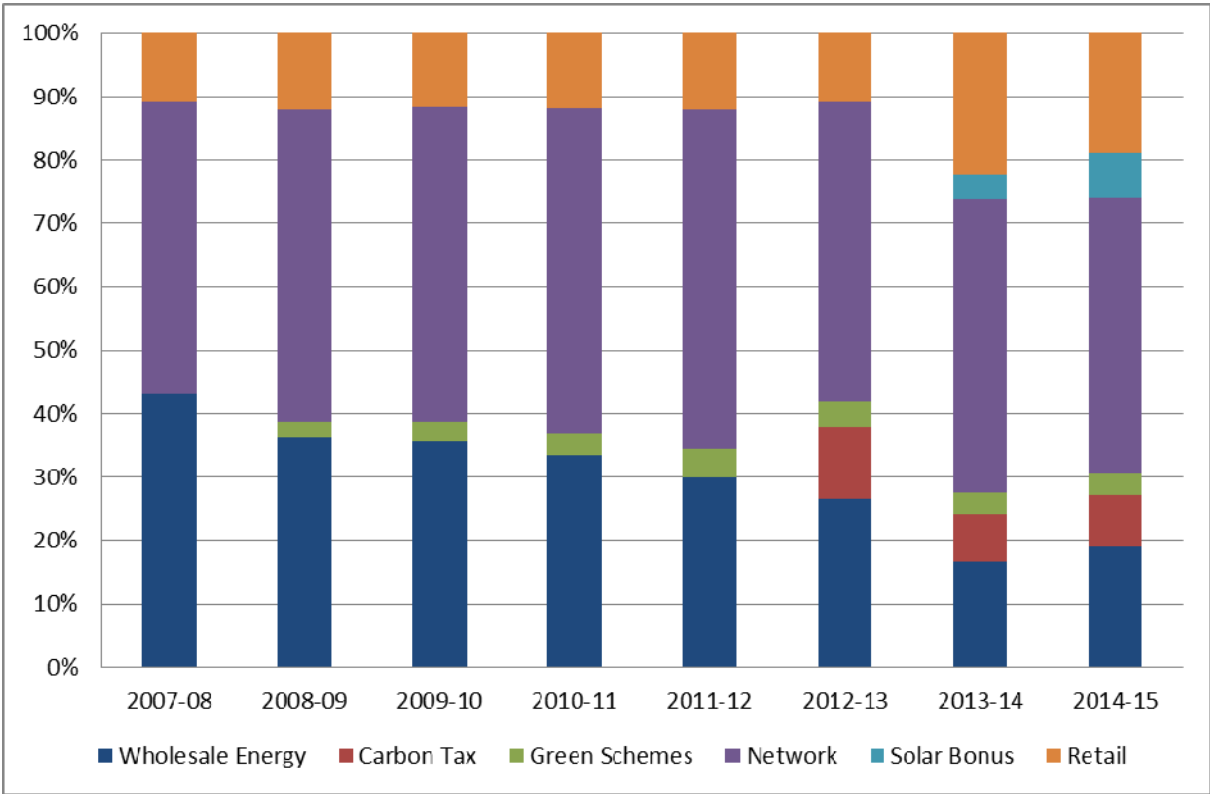
SBS costs have almost doubled since 2013-14, however, costs are not recovered by the distributor until two years after they are incurred. Reflecting the level of uptake in solar PV, in 2013-14 solar costs accounted for 3.9 per cent of a bill, which has increased to 7 per cent in 2014-15. The SBS contributes around \$100 to an annual bill. The QCA has estimated this could increase to around \$276 in 2015-16.

### *Green schemes (Renewable Energy Target)*

In addition to wholesale energy costs, there are a number of other energy costs including the carbon tax (as noted above) and costs relating to green schemes such as the RET.

The separate reporting of green schemes (predominantly the RET but also the Queensland Gas Scheme) was introduced in 2008-09, when they accounted for 2.6 per cent of the bill. This increased in following years to a maximum percentage of 4.5 per cent in 2011-12. Since then costs have decreased slightly, easing to 3 per cent of a bill in 2014-15. The RET contributes around \$50 to an annual bill for Tariff 11 only. Based on Tariff 11 and a controlled load tariff, the QCA estimates the cost of the RET to be around \$81.

ATTACHMENT 1



## ESTIMATES QUESTION ON NOTICE

### No. 2

#### QUESTION:

The Service Delivery Statement notes that through analysis of its operating environment, the department has identified strategic risks and challenges to implementing policy solutions to put downward pressure on the cost-of-living. Can the Minister provide quantitative data and qualitative analysis for the South East Queensland (SEQ) bulk water supply costs in 2014–15, including:

- a) interest and operating costs for the Gold Coast Desalination Project;
- b) interest and operating costs for the Western Corridor Recycling Water Scheme;
- c) interest and operating costs for the Wyaralong Dam;
- d) interest costs on the rest of the SEQ bulk water supply system; and
- e) operating costs for the rest of the SEQ bulk water supply system.

#### ANSWER:

Annual interest costs on an asset basis are not available beyond 2012–13. Seqwater has adopted a consolidated debt pool which enables more efficient management of its whole debt. Prior to the merging of Seqwater, Linkwater and the South East Queensland Water Grid Manager into one entity from 1 January 2013, there were higher costs associated with debt management as each entity was responsible for its own debt in conjunction with Queensland Treasury Corporation (QTC). The merging of the three entities into the one entity, Seqwater, has reduced bulk water supply costs, including those associated with debt management.

Table 1 below shows Seqwater's interest costs for 2012–13 broken down by the Gold Coast Desalination Plant (GCDP), the Western Corridor Recycled Water Scheme (WCRWS), the Wyaralong Dam, and the rest of the SEQ bulk water supply system.

The interest costs associated with the SEQ bulk water supply system infrastructure since 2012–13 are likely to be of a similar magnitude for each of these assets, given the debt that funded the infrastructure projects has not materially changed. It should be noted that the debt relating to the infrastructure projects is in addition to the debt that is funding Seqwater's operating losses due to the bulk water price path.

**Table 1: Seqwater interest costs 2012–13 by asset (\$'000)**

	<b>Interest costs</b>
GCDP	\$36,469
WCRWS	\$124,170
Wyaralong Dam	\$22,560
Rest of the SEQ bulk water supply system	\$280,738
<b>Total SEQ bulk water supply system</b>	<b>\$463,937</b>

#### Notes:

- Based on Seqwater's 2012–13 Annual Report and Seqwater advice.

- The interest costs in this table relate to the debt held by Seqwater only from 1 July to 31 December 2012 and the debt held by the merged Seqwater incorporating LinkWater and the SEQ Water Grid Manager 1 January to 30 June 2013.
- Costs are shown in 2012-13 dollars.

In relation to Seqwater's 2014–15 budget, table 2 below shows Seqwater's operating costs (broken down by GCDP, WCRWS, the Wyaralong Dam, and the rest of the SEQ bulk water supply system), total depreciation costs and total interest costs.

**Table 2: Seqwater budgeted costs 2014-15 by asset (\$'000)**

	<b>Interest costs</b>	<b>Depreciation costs</b>	<b>Operating costs</b>	<b>Total costs</b>	<b>Description of operating costs</b>
GCDP			\$15,978		Costs incurred relate to the maintenance of the GCDP while in “stand-by” mode so that it can be used when there is an emergency. This includes labour costs to ensure the assets are maintained as well as energy and treatment costs to produce small amounts of desalinated water, ensuring the GCDP is operational when needed.
WCRWS			\$15,551		Costs incurred relate to the operation of the WCRWS in ‘care and maintenance’ mode. This includes labour costs to ensure the assets are maintained as well as energy costs incurred for any maintenance requirements. This also includes closedown costs.
Wyaralong Dam			\$1,635		Costs incurred relate to Dam, Catchment and Recreation maintenance. This includes labour costs.
Rest of the SEQ bulk water supply system			\$237,696		Costs incurred relate to the operation of the remaining storage facilities and the treatment and transportation of bulk water across the SEQ region.
<b>Total SEQ bulk water supply system</b>	<b>\$542,406</b>	<b>\$220,335</b>	<b>\$270,860</b>	<b>\$1,033,601</b>	

**Notes:**

- Based on Seqwater advice.
- 2014-15 budgeted costs for the rest of the SEQ bulk water supply system include approximately \$4.7 million relating to irrigation activities.
- Costs are shown in 2014-15 dollars.

## ESTIMATES QUESTION ON NOTICE

### No. 3

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#### QUESTION:

Given the Service Delivery Statement notes the Department is responsible for policy development to ensure cost-effective energy supply, can the Minister provide quantitative data and qualitative analysis for the annual cost (\$) and proportion (%) for a typical annual household electricity bill from 2004-05 (reported separately) in all states (reported separately) in Australia's National Electricity Market (NEM) for:

- a. Networks (Poles and Wires),
- b. Wholesale Energy; and
- c. Retail.

#### ANSWER:

##### Comparing electricity bills

A straight comparison of annual electricity bills across Australia is difficult because of differences between states and territories.

For example, some jurisdictions have higher fixed service fees, which may be offset by lower energy consumption charges. Average customer consumption and therefore the average bill also vary considerably between jurisdictions, and higher fixed charges have a greater impact on electricity bills at lower levels of consumption.

The level of competition and therefore the proportion of customers on regulated prices or cheaper market offers also differs between jurisdictions. Additionally, electricity prices in some jurisdictions such as New South Wales and Victoria also vary between their distribution network areas.

Network costs form a significant part of retail electricity prices and also vary between jurisdictions. The Australian Energy Regulator (AER) sets a level of overall expenditure for each network in the NEM typically every five years, and sets network prices annually based on this allowed expenditure. These levels of expenditure and prices differ between jurisdictions and change over time for a variety of reasons, including where each jurisdiction is in:

- the cycle of replacing old infrastructure or building new infrastructure to meet projections of electricity demand; and
- the AER's five-year regulatory period for network expenditure.

##### Changes in electricity bills based on AER data

However, the AER has been tracking real energy prices for metropolitan households since 1991, using the electricity and gas components of the Australian Bureau of Statistics consumer price index.



Attachment A contains a graph on electricity prices from the AER's most recent State of the Energy Market Report 2013. The graph clearly shows that electricity prices in Brisbane have consistently been the lowest or second lowest amongst capital cities in the NEM since the early 1990s.

#### Changes in electricity bills based on AEMC data

The Australian Energy Market Commission (AEMC) also provides further insights. Since 2009, it has produced an annual report aimed at identifying trends in residential electricity prices across Australia. To do this, the AEMC combines each jurisdiction's or network area's fixed service fee and energy consumption charges to develop a jurisdictional cents per kilowatt hour amount. The figure is based on the different costs components of electricity prices.

Attachment B compares electricity bills across the NEM jurisdictions based on the AEMC's cost stacks, using a single Queensland consumption figure across all the AEMC's reporting period. While the AEMC's data set does not meet the Question on Notice's requested 2004–05 start date, it still provides a snapshot of trends across a key period of time, including the introduction of the carbon tax in 2012–13.

According to this analysis, Queensland's average electricity bill has been the second lowest in all years except for 2009–10, when it was third lowest. Only the Australian Capital Territory, with its much lower regulated network costs, consistently recorded lower bills.

Queensland also recorded the lowest increase in average electricity bills at 23 per cent. The Australian Capital Territory recorded the second lowest increase at 29 per cent, while Tasmania recorded the highest increase at 37 per cent.

However, retail price regulation has failed to prevent subsequent large price rises in Queensland, with prices for the typical household rising by 22.6 per cent in 2013–14 and 13.6 per cent in 2014–15 (when including the carbon tax).

#### Electricity bills in 2013-14

Whilst the most recent AEMC and AER reports' analysis ends in 2012–13 – the year the Queensland Government froze the price of the standard regulated retail tariff for households, Tariff 11 – information is available on 2013–14 prices on a similar basis (interstate information suitable for comparison is not available for 2014–15).

Despite the end of Tariff 11 freeze and 22.6 per cent price rise in 2013–14, the table below illustrates how Queensland's electricity prices were still competitive in 2013-14 compared with other states and territories in the NEM:

- assuming a typical customer consumes 4,100 kilowatt hours of electricity per year (Queensland's typical 2013–14 consumption) on the standard residential tariff available in each jurisdiction;

- assuming customers are on regulated or standing offer prices, not discounted market offers that can be higher in other states such as Victoria; and
- using the average jurisdictional bill where electricity prices vary within a jurisdiction depending on the network area.

<b>Region</b>	<b>Network Distributor</b>	<b>2013-14 Bill (excl. GST)</b>
<b>QLD</b>	<b>Energex and Ergon</b>	<b>\$1,279</b>
NSW (Sydney, Central Coast, the Hunter)	Ausgrid	\$1,282
NSW (Country)	Essential	\$1,731
NSW (Western Sydney, Illawarra)	Endeavour	\$1,266
<b>NSW</b>	<b>State Average</b>	<b>\$1,426</b>
VIC (Melbourne CBD)	Citipower	\$1,323
VIC (Northern Melbourne)	Jemena	\$1,552
VIC (Western)	Powercor	\$1,504
VIC (Southern Melbourne)	United	\$1,438
VIC (Eastern)	SP Ausnet	\$1,628
<b>VIC</b>	<b>State Average</b>	<b>\$1,489</b>
<b>TAS</b>	<b>Aurora</b>	<b>\$1,315</b>
<b>SA</b>	<b>SA Power Networks</b>	<b>\$1,462</b>

The table uses the same electricity bill for customers in both the Energex and Ergon Energy Network areas, despite the AER approving more expensive network prices for Ergon Energy. This is because the Queensland Government's Uniform Tariff Policy – implemented through the Government's Community Service Obligation (CSO) payments – ensures where possible that all Queensland regulated electricity customers of a similar type pay the same price for electricity, regardless of where they live. According to the 2014–15 Budget Concessions Statement, the Government spent \$560.8 million on the CSO in 2013–14 and has budgeted \$662.4 million for 2014–15.

Ergon Energy, which services almost all of regional Queensland, receives the bulk of the CSO payments, with Origin Energy receiving a relatively small amount (\$6 million in 2013–14) for regulated customers in the Goondiwindi, Texas and Inglewood areas who are supplied electricity through the New South Wales distribution network.

### Comparing electricity cost components

Identifying the different cost components of electricity prices in jurisdictions with prices set by regulators is feasible, but a very difficult exercise in jurisdictions such as Victoria and South Australia where prices are deregulated. In these jurisdictions, wholesale and retail costs are determined by the market participants and are not publicly reported.

The AEMC's cost stacks, developed as part of its annual residential electricity price trends reports are the best available estimates. Given that the AEMC has not been able to always separate out specific wholesale and retail costs for every jurisdiction, it groups cost components into three main categories – environmental policies, regulated networks and wholesale/retail markets.

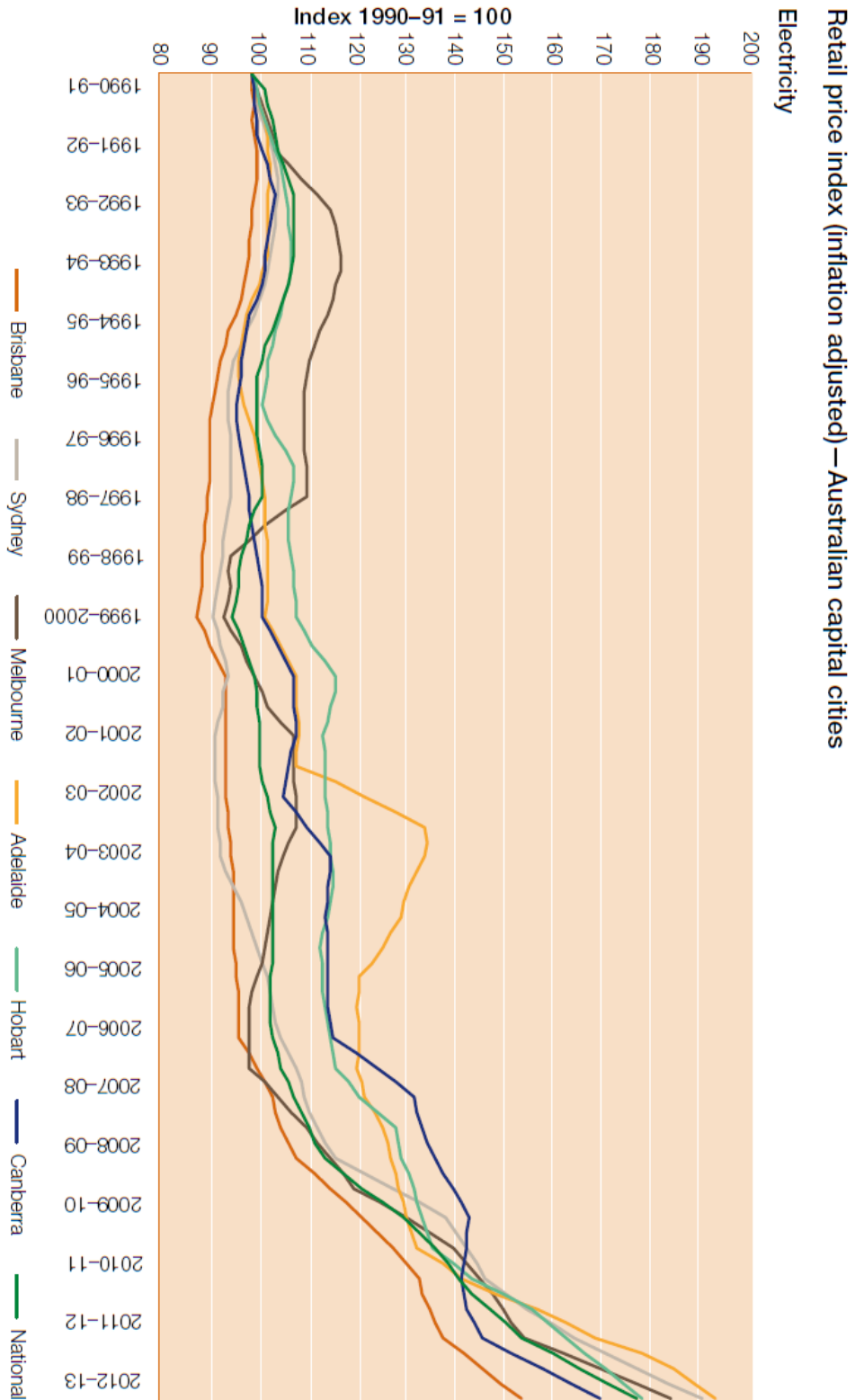
The AEMC's environmental policy costs include the federal carbon tax, Large-scale Renewable Energy Target and Small-scale Renewable Energy Scheme, plus jurisdictional policies such as solar feed-in tariffs, the Queensland Gas Scheme and New South Wales Energy Saving Scheme. Regulated network costs include distribution network and transmission network costs approved by the AER, plus smart meter costs for Victoria. Wholesale and retail market costs include wholesale energy costs, costs associated with retailing and retail margins in jurisdictions such as Queensland where regulators are seeking to boost retail competition.

Attachment C identifies the proportion that each main cost category contributes to an average electricity bill in each jurisdiction.

The key findings for NEM jurisdictions over the period 2009–10 to 2012–13 are:

- environmental policy costs have *increased* greatly by 79 - 97 per cent (89 per cent in Queensland) primarily because of the introduction of the carbon tax in 2012-13. These costs make up around 20 per cent of the annual bill in almost all jurisdictions.
- regulated network costs have *increased* by 22 - 48 per cent (22 per cent in Queensland), but tend to have a far bigger impact on electricity bills because they constitute the single largest proportion of the majority of jurisdictions' costs. New South Wales and Queensland have the highest proportions of network costs while Victoria and the Australian Capital Territory have the lowest proportions.

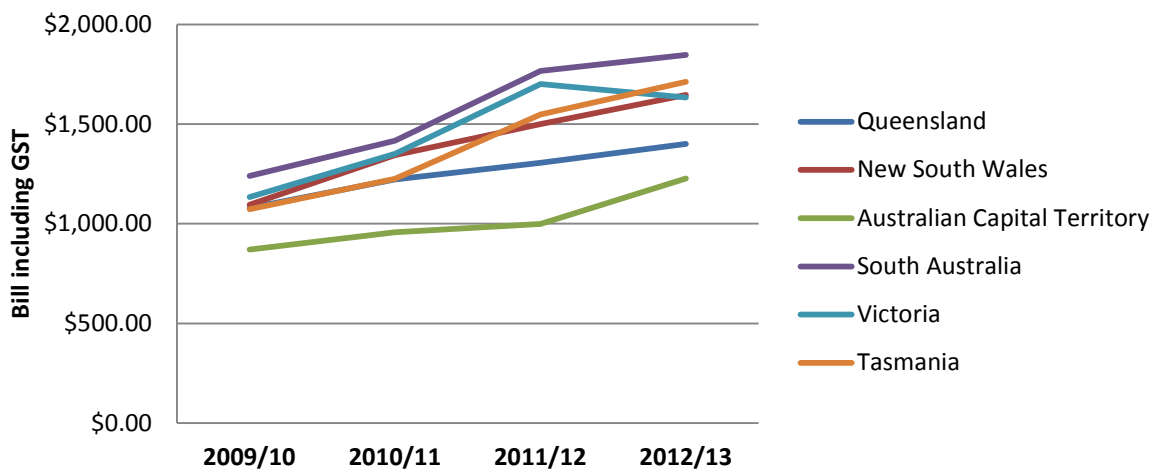
CHANGES IN ELECTRICITY BILLS BASED ON AER DATA



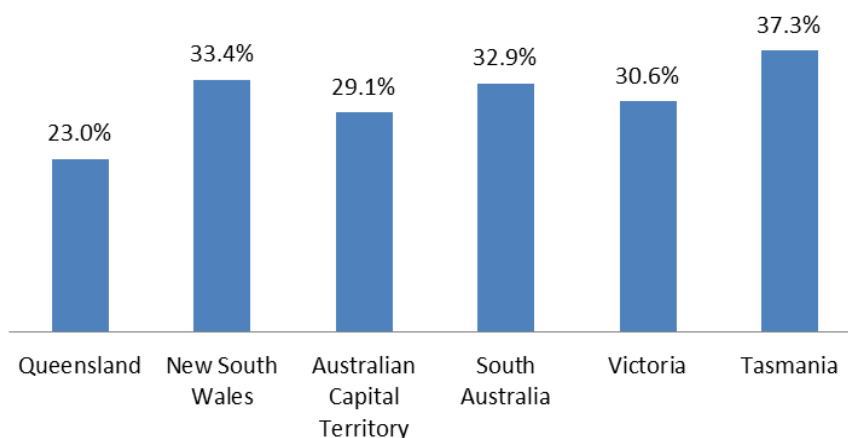
**CHANGES IN ELECTRICITY BILLS BASED ON AEMC DATA**

Conducting a fair comparison of electricity bills between jurisdictions over time requires a single average consumption figure. The table and bar graph below are based on 5,370 kilowatt hours of consumption per annum for each year of the AEMC’s reporting period. This consumption figure was selected because it was the Queensland Competition Authority’s (QCA) average consumption figure for Queensland’s Tariff 11 in 2012-13, the final year of the AEMC’s data set. The figure was draft only, because the Queensland Government froze Tariff 11 to fulfil its 2012 election commitment, so the QCA was not required to finalise its calculations to set Tariff 11’s price. Note that this Queensland consumption figure differs from the more recent Queensland consumption figure used in the table comparing interstate bills in the Question on Notice response.

**Interstate electricity bills using 5,370 kWh consumption for each year**



**Increase in electricity bills between 2009/10 and 2012/13**



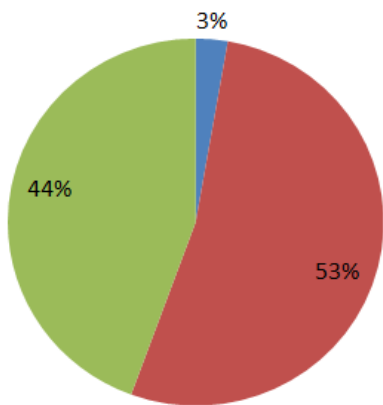
In 2012-13, the Queensland Government froze the price of Queensland’s main residential electricity tariff, Tariff 11, at 2011-12 levels, apart from the cost of the then new carbon tax. Queensland customers would have seen an increase comparable with other jurisdictions over the period 2009-10 to 2012-13 had this not been the case.

**JURISDICTIONAL COST COMPONENTS AND CHANGES OVER TIME**

Queensland

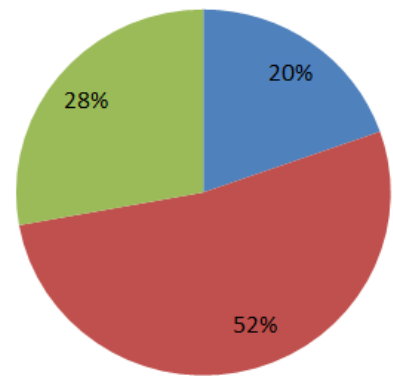
In 2012-13, the Queensland Government froze the price of Queensland’s main residential electricity tariff, Tariff 11, at 2011-12 levels, apart from the cost of the then new carbon tax.

**QLD cost components 2009/10**



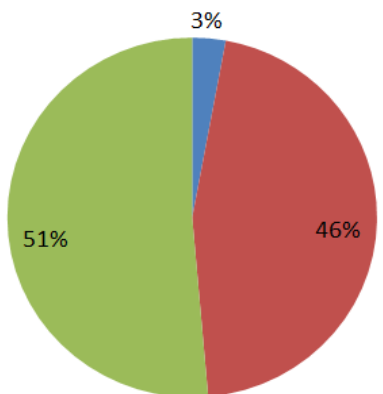
- Environmental policies
- Regulated networks
- Wholesale and retail markets

**QLD cost components 2012/13**



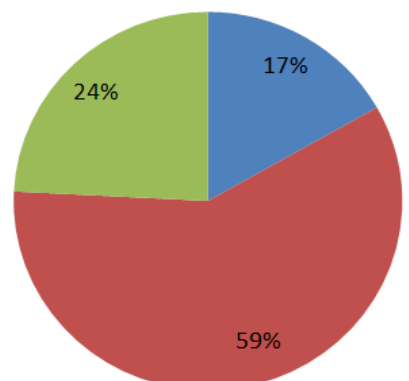
New South Wales

**NSW cost components 2009/10**



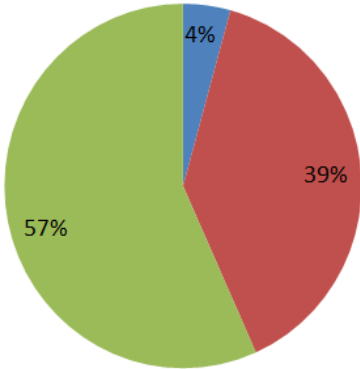
- Environmental policies
- Regulated Networks
- Wholesale and retail markets

**NSW cost components 2012/13**



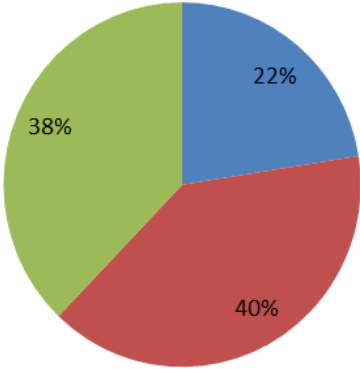
Australian Capital Territory

ACT cost components 2009/10



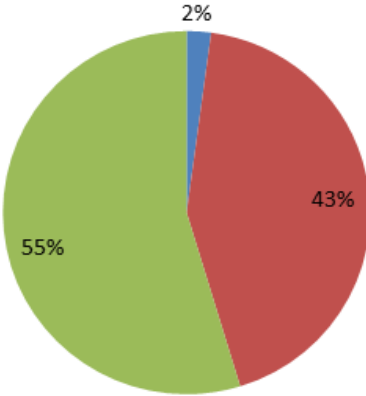
- Environmental policies
- Regulated Networks
- Wholesale and retail markets

ACT cost components 2012/13



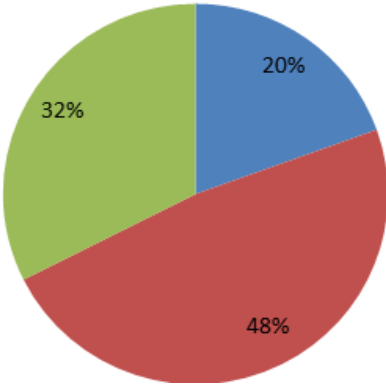
South Australia

SA cost components 2009/10



- Environmental policies
- Regulated Networks
- Wholesale and retail markets

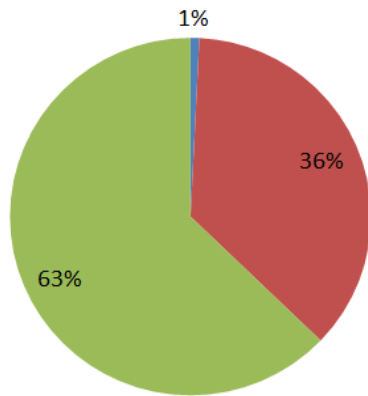
SA cost components 2012/13



## Victoria

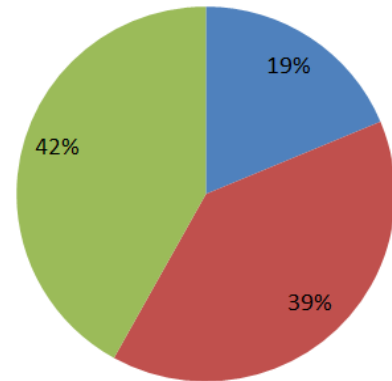
Victoria's smart meter charges for 2009-10 and 2010-11 have been included in the regulated network component.

**VIC cost components 2009/10**



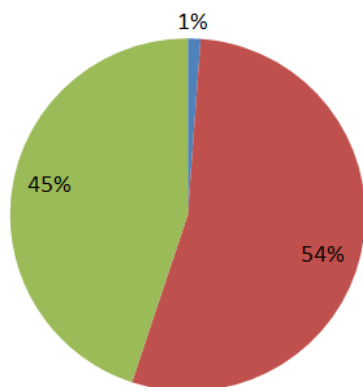
**VIC cost components 2012/13**

- Environmental policies
- Regulated Networks
- Wholesale and retail markets



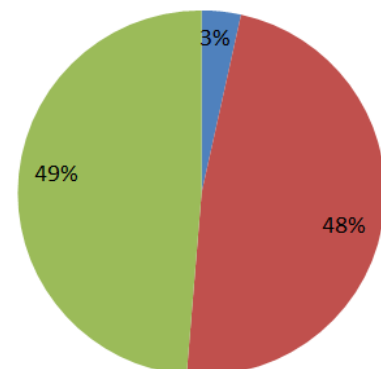
## Tasmania

**TAS cost components 2009/10**



**TAS cost components 2012/13**

- Environmental policies
- Regulated Networks
- Wholesale and retail markets





## ESTIMATES QUESTION ON NOTICE

### No. 4

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#### QUESTION:

The Service Delivery Statement notes that in 2013-14 the Department "...took action to limit the price increases for transitional and obsolete electricity tariffs, including farming and irrigation tariffs, to no more than 10 per cent for 2013-14." Can the Minister please explain how the Government will help struggling farmers and irrigators, particularly cane growers, in 2014-15?

#### ANSWER:

This Government did indeed take positive action in 2013-14 to cap (at 10 per cent), what was expected to be a 20 per cent on average increase for all transitional and obsolete tariffs, including farming and irrigation tariffs.

At the moment, farming and irrigation tariff prices are set below the cost of supplying electricity in South East Queensland – despite it costing more to supply electricity in regional Queensland. Clearly, this situation is not sustainable. The Government is determined to ensure that the policy reforms under way deliver equitable and stable electricity prices for all consumers over the long term.

Acknowledging the significant costs facing farmers and irrigators, the Department of Energy and Water Supply brought together representatives from various government agencies (including the Department of Agriculture, Forestry and Fisheries (DAFF), the Department of Natural Resources and Mines, SunWater and Ergon Energy) late last year to discuss potential solutions apart from tariffs, as it appeared there were other options available to producers.

The Irrigators Energy Savers Project was developed as a result of these discussions. The Irrigators Energy Savers Project will provide an alternative approach to reduce on-farm costs through greater efficiency in the use of energy and water, which will result in improved long term viability for these industries and increased productivity.

With the assistance of the Queensland Farmers Federation (QFF), Ergon Energy has identified 30 trial sites for inclusion in the project. The sites cover a broad cross-section of irrigated agribusinesses including orchards, fruit and vegetable growers, dairies, cotton and grain producers, grape growers and turf farms.

Canegrowers are particularly well represented in the project. There are 11 cane growing sites included, covering a range of different irrigation methods and geographic locations throughout the state.

Comprehensive Level 2 energy audits will be conducted to identify the sources of energy use at each site and the amount of energy savings that can be made by the adoption of alternative pumping equipment or improved water application practices.

The audits will provide an assessment of costs and savings so that farmers have firm data on which to base decisions around changing their energy use and investments in new infrastructure.

Based on preliminary findings, Ergon Energy believes that savings of up to 30 per cent are achievable at most sites.

I am also keen to ensure that customers accessing Farming and Irrigation tariffs, along with other customers on transitional tariffs, are on the most appropriate tariff. The QCA has recently provided me with analysis indicating that whilst the majority of customers on Farming and Irrigation tariffs will remain better off on these tariffs, there will be a large number of customers that will become better off on cost-reflective prices in 2014-15 because of their specific consumption profile. I expect this might also be the case for non-farming customers on transitional tariffs.

I understand that many of these customers will not immediately transfer to the cost-reflective tariffs. I have therefore written to Ergon Energy to strongly encourage them to provide the relevant customers with written advice which ensures they understand the benefits for them of moving to a cost-reflective tariff. I expect this course of action to be maintained over the course of the period of transition to cost reflectivity of all charges.

The project will produce case studies for all participating farms. The case studies will highlight best practice that can be shared across the various sectors that use irrigation to improve their energy efficiency, increase production and reduce costs. Ergon Energy and DAFF will work with QFF, irrigation suppliers and other peak industry bodies to distribute this information and maximise uptake by farmers.

The government, through DAFF, is providing funding of \$722,000 over two years to conduct the trials and develop a model for future implementation. Ergon Energy anticipates contributing approximately \$840,000 towards site inspections, energy analysis and network support payments for demand reduction. The irrigators involved are expected to outlay over \$7 million in capital for equipment upgrades.

## ESTIMATES QUESTION ON NOTICE

### No. 5

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#### QUESTION:

Can the Minister advise on the strategic risks and challenges facing Queensland Government owned Network businesses in implementing policy solutions to put downward pressure on the cost of living?

#### ANSWER:

The Government is conscious that a strong electricity sector underpins our high standard of living and our promise for a strong four pillar economy. But the fact is an independent panel found our electricity transmission and distribution businesses have unnecessarily high operating and capital costs and we have committed to doing something about it.

This Government acted early to address customer concerns about rising electricity prices and set in train a reform program to put downward pressure on costs. Queensland's electricity network businesses are implementing significant reforms targeting greater efficiency in the direct and indirect costs of the network businesses and addressing key drivers of capital expenditure such as reliability settings, which have required investment in back-up infrastructure which is rarely used.

The strategic risks and challenges for the network businesses relate to balancing the desire for a more efficient and lower cost network service with the expectations of shareholders and consumers around maintaining service levels and meeting long term infrastructure requirements.

As announced on 16 April this year, we are tackling 'gold plating' of electricity networks by establishing less prescriptive, outcomes-based, reliability standards that are more in tune with customer needs and expectations. The needs of customers will be protected through performance targets but the businesses will have the flexibility to achieve the required performance at the lowest possible cost. The distribution businesses' programs to improve their worst performing feeders will continue and 'safety net' measures such as maximum allowable restoration times will be introduced to manage the risk of serious outages.

The Government through PowerQ, its 30-year strategy for the electricity sector, is also turning its attention to the longer term strategic challenges for the network businesses created by new technologies that may provide greater consumer independence from the grid. The potential for disruption of the traditional electricity supply chain and the associated network business model will be a key issue examined by an expert panel that we will establish shortly.

It is important to remember the network businesses remain subject to regulatory obligations around safety, security and reliability of supply. They are regulated businesses that must perform to particular standards.

Striking the right balance between network reliability and safety and cost is not easy. But it is something the businesses must do in all their planning decisions to ensure the network is optimised, investment is not delivered too early or too late, and it is delivered at the lowest long-run cost to Queensland consumers.

## ESTIMATES QUESTION ON NOTICE

### No. 6

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#### QUESTION:

The Service Delivery Statement notes the electricity retail sector in South East Queensland will move to market monitoring from 1 July 2015. Can the Minister provide advice on the evidence-based research that market monitoring will help put downward pressure on future electricity prices and what additional measures will be put in place to protect consumers.

#### ANSWER:

The Government has commenced a comprehensive suite of energy reforms designed to stabilise electricity prices and encourage a more diverse and competitive electricity market. A key element of the reform program is the removal of retail price regulation in South East Queensland (SEQ) and the introduction of market monitoring. These reforms are designed to reduce cost pressures, give customers more choice and flexibility and reduce risks and barriers to entry for retailers.

The benefits of removing retail price regulation in a competitive market are well documented. According to the Australian Energy Market Commission (AEMC), regulated prices will always be an imperfect substitute for prices determined by competitive market forces and are likely to distort the market and impose additional costs. In particular, since retailers have better cost and market information than regulators, there is a risk that regulated prices will either be set too low (detering investment and innovation) or too high (to the detriment of customers). The AEMC concludes that as competition develops, price regulation may become unnecessary because competition should protect consumers more effectively and allow them to benefit from increased product choice and innovation.

This is consistent with the Queensland Commission of Audit which noted there has been a tendency for governments to use price regulation as a mechanism to protect consumers from 'price shocks'. However, whilst this type of government intervention may provide some short-term price relief, it creates regulatory uncertainty and inconsistency for existing and potential industry participants, which can discourage investment. Over time, it is unsustainable to have a situation in which prices do not reflect the actual cost to deliver services. The Commission recommended that where possible, prices should be determined by competitive market pressures as this has been demonstrated over the longer term to be the most effective mechanism to exert downward pressure on prices.

This issue was also highlighted by the Government's Inter-departmental Committee on Electricity Sector Reform (IDC), which was established in 2012 to examine all aspects of the sector that impact on the cost of electricity. The IDC recommended urgent sector reform and proposed three key strategies designed to address cost pressures, build a more competitive market, and reduce risks to customers, industry and government. The IDC concluded that retail competition can offer significant

benefits to consumers in terms of service, choice and price discounts, and recommended price controls in SEQ be removed by 1 July 2015 as a means of further increasing competition.

The Productivity Commission, which provides independent research and advice to the Commonwealth Government on a range of economic, social and environmental issues, also concluded that continued price regulation would stifle retail competition and innovation and recommended the phase-out of retail price regulation by 2015.

We know competition is working in SEQ because right now the market is already offering prices lower than those set by the regulator. According to the Queensland Competition Authority (QCA), there were 66 market offers available to residential customers in March 2014 and 39 of these offered prices below the regulated tariff rate. The percentage of market customers has also generally been increasing since March 2011 with around 70 per cent of SEQ customers now on a market contract.

But, more can be done to enhance competition and provide greater choice, protection and support for Queensland consumers. Once price regulation in SEQ is removed, retailers will be encouraged to be more competitive, innovative and flexible in the products, prices and services they provide. This is good news for consumers but it will take time for these benefits to flow through.

The experience of electricity price deregulation in Victoria and South Australia also highlights the benefits of increased competition. Reports from the Australian Energy Regulator and the St Vincent de Paul Society indicate that price deregulation in Victoria has led to a highly competitive market with a wider range of pricing diversity and discounts compared to SEQ. A typical household in Victoria can save up to \$600-\$800 per year by switching from the highest standing offer to the best market offer, depending on their network area. The Energy Supply Association of Australia also maintains that price deregulation in Victoria is having a downward impact on prices for many customers and continues to place downward pressure on market offers.

In South Australia, where price deregulation was introduced in February 2013, the St Vincent de Paul Society estimates a typical household can save up to \$280 per year by switching from the highest standing offer to the best market offer. The vast majority of South Australian customers are already on a market contract, which suggests customers are shopping around for better deals and taking advantage of deregulation.

The benefits of market monitoring will be delivered in SEQ alongside increased customer protections contained in the National Energy Customer Framework (NECF). The NECF will benefit electricity consumers by giving them better tools to engage confidently in the market and better support if they are in financial hardship. It will also reduce the regulatory burden for retailers, drive greater efficiencies and foster increased competition in the retail market.

Queensland is also introducing additional protections, including preventing retailers from increasing their standing offer price more than once in the first year of market monitoring and not allowing retailers to introduce any new types of fees and charges for the first two years of market monitoring. State-specific modifications will also

ensure that customers know about any price changes from their retailer in advance and can access at least one market contract from every retailer that is free of exit fees. An additional safety net will also exist through a reserve Ministerial power to re-introduce price controls if competition deteriorates, subject to an independent market review.

Whilst the Government will no longer regulate prices in SEQ, it will monitor the market to ensure competition remains effective. The QCA will also have an important role in monitoring price movements, helping consumers to better understand and take advantage of the choices on offer and keeping the Government fully informed about how the market is developing.

The QCA will continue to set prices outside SEQ in line with the Government's commitment to uniform pricing for regional customers. Work is also continuing on a longer term strategy to bring the benefits of competition to regional Queenslanders.

## ESTIMATES QUESTION ON NOTICE

### No. 7

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#### QUESTION:

The Service Delivery Statement notes that through analysis of its operating environment, the department has identified strategic risks and challenges to implementing policy solutions to put downward pressure on the cost-of-living. Can the Minister identify the main challenges the Government is facing in putting downward pressure on electricity prices and what it is doing to stabilise prices.

#### ANSWER:

Electricity prices have more than doubled in the last decade. Whilst the Government is taking steps towards stabilising electricity prices into the future, there is no quick fix. These increases are due to the significant cost of building and maintaining the electricity network, the implementation of the carbon tax and green schemes, and the costs associated with the Solar Bonus Scheme, which have been locked into the supply chain over time.

In the short term this Government has taken a number of steps to provide immediate relief for Queensland electricity consumers as follows:

- A one-off freeze at 2011-12 prices to the standard residential tariff - Tariff 11 was applied in 2012-13, which saved customers approximately \$120;
- The Electricity Rebate has increased to \$320.97 and is available to pensioners and Seniors Card holders;
- Over \$50 million per annum has been committed to cover the shortfall in Commonwealth funding for concessions;
- \$662 million in Community Service Obligation payments in 2014–15 has been budgeted to support customers in regional Queensland; and
- The Home Energy Emergency Assistance Scheme provides households up to \$720 if they are facing an emergency and cannot pay their electricity bill.

However, in order to stabilise prices and place downward pressure into the future, the Newman Government has commenced a longer term reform of the electricity sector aimed at stabilising future electricity prices by:

- Balancing investment needs, costs and savings;
- Opening up the retail market for increased retail competition and consumer choice;
- Ensuring consumers pay a fair price for electricity; and
- Helping vulnerable consumers to better manage future price increases.



## ESTIMATES QUESTION ON NOTICE

### No. 8

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#### QUESTION:

The Service Delivery Statement notes that through analysis of its operating environment, the department has identified strategic risks and challenges to implementing policy solutions to put downward pressure on the cost-of-living. Can the Minister identify the main challenges the Government is facing in putting downward pressure on water prices in South East Queensland and what it is doing to reduce bulk water prices.

#### ANSWER:

In South East Queensland (SEQ), household water and sewerage bills include: (1) a volumetric bulk water price set by the Queensland Government, and (2) water distribution and sewerage prices set by council-owned water businesses.

The bulk water price is the price that council-owned water businesses pay to purchase water from the State Government via Seqwater. The Government has announced bulk water prices to apply from 1 July 2013 to 30 June 2015.

Unfortunately, one of the previous government's most painful and enduring legacies for all SEQ households and businesses is the increasingly high bulk water prices that it deliberately passed onto future residents through the 10-Year SEQ Bulk Water Price Paths.

Our recent experience shows that when a government fails to plan, it also fails future generations causing them increased hardship. In this regard, you may recall the previous government's water supply crisis and the crazy spending spree that followed, including on the non-existent Traveston Dam, as well as \$2.6 billion on the Western Corridor Recycled Water Scheme and \$1.2 billion on the Gold Coast desalination plant, all expansive and extremely expensive infrastructure that was largely funded by debt. According to Seqwater's 2012–13 Annual Report, Seqwater owes \$10.3 billion, of which around \$9.1 billion relates solely to the bulk water supply system. Sadly, previous government decisions to waste so much money on the non-existent Traveston Dam, as well as to debt-fund other unnecessary bulk water infrastructure, mean we all pay more now. Due to the significant investment in the SEQ bulk water supply system by the former government, this Government, via Seqwater, is currently selling bulk water at a loss which is being funded by debt. Bulk water prices need to increase to cover bulk water supply costs and repay debt.

The Newman Government has taken strong action to stabilise Labor's bulk water price increases for SEQ households by: 1. cutting unnecessary future capital works across the southeast; 2. merging SEQ's plethora of bulk water bureaucracies into one company (Seqwater) and abolishing the Queensland Water Commission; and 3. mothballing infrastructure that is too expensive to operate. This has helped reduce the proposed bulk water price increase from \$83 to about \$49 this year for an

average household using 200 kilolitres. Despite Labor's significant debt legacy, the Newman Government delivered on its election commitment to provide a one-off \$80 water rebate to SEQ households in 2012–13, while also providing an annual water subsidy of up to \$120 for eligible SEQ pensioners who own their property.

The Government and Seqwater will continue to identify more ways to reduce bulk water supply costs in SEQ and put downward pressure on SEQ bulk water prices.

Additionally, given the critical role of the water sector in growing a four pillar economy of tourism, agriculture, resources and construction, the Government has recognised we simply cannot afford to repeat the Beattie-Bligh government's policy, planning and investment failures in the future design of our water sector. That is why the Newman Government has now finalised its 30-Year Water Strategy, WaterQ, which establishes a necessary long-term framework to deliver a safe, secure and affordable water supply well into the future.

The water and sewerage prices applied by the council-owned businesses are outside of the control of the Government as the council-owned businesses are responsible for their own pricing policies and charges.

However, the Government has recognised that red tape and prescriptive regulation of Queensland's water sector, including SEQ council-owned water business, focused on process or was simply inefficient. To address this challenge, the Government introduced reforms through the *Water Supply Services Legislation Amendment Act 2014* which was passed in May 2014. This Act transformed the regulation of Queensland's water sector by cutting red tape and moving the focus of regulation from process to performance. The Act also streamlined water and sewerage connection approvals for SEQ distributor-retailers through the introduction of the "utility model". The utility model allows for faster, more cost-effective approvals and supports economic development in SEQ. These legislative reforms will put downward pressure on the costs of SEQ council-owned water businesses by reducing red tape and encouraging a water sector that is focused on resilience and affordability.

## ESTIMATES QUESTION ON NOTICE

### No. 9

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#### QUESTION:

The Service Delivery Statement notes the Government has worked on the reform of local management arrangements (LMA) for SunWater's irrigation schemes. Can the Minister provide an update on the Government's progress in working with local communities to deliver local management solutions for local channel schemes that will also provide improved economic and environmental outcomes?

#### ANSWER:

The Government is investigating the potential benefits of transferring eight SunWater channel irrigation schemes to local ownership and management arrangements ("LMA"). The Government appointed an independent project team, led by Independent Chair, Ms Leith Bouilly, to work with DEWS, SunWater and representatives of the local irrigators in each scheme to carry out investigations and provide advice and recommendations to the Government on whether to proceed with LMA. As part of that process local irrigators have developed business proposals for each scheme.

The Government set the following principles to guide the LMA process:

1. The long-term benefits (including economic, financial and public interest benefits) to the State of each proposal, outweighs the costs incurred in setting up and operating local management;
2. A strong majority of irrigators support the move to local management;
3. The LMA must be a viable enterprise over the long term with limited risk of financial, operational or other significant failure, without recourse to Government;
4. The LMA is capable of delivering efficient water services;
5. The assets will be maintained and refurbished in line with agreed service levels;
6. The LMA demonstrates a capacity to meet the statutory planning, regulatory and environmental obligations; and
7. Any required debt funding can reasonably be accessed, noting that the new entities would be prohibited from borrowing from the Queensland Treasury Corporation.

The key project milestones achieved so far include:

- July 2012 – A working group was formed to prepare a preliminary report on LMA;
- October 2012 – the Working Group presented its final report to the Department and the Minister invited the eight schemes to submit business proposals on how local management could be achieved;
- April 2013 – the Department advertised for expressions of interest from the local community for individuals to be on Irrigator Interim Boards to prepare business proposals;

- June 2013 - Interim Boards were appointed and tasked with preparing business proposals for each of the schemes;
- July 2013 - legal due diligence and engineering due diligence commenced;
- April 2014 - legal due diligence and engineering due diligence completed; and
- In June 2014 - the Interim Boards delivered their Business Proposals to the Government.

The Government now awaits the final report and recommendations from the Independent Chair of the LMA Project Team, which will be delivered in early August. Once that is received the Government, via the Department of Energy and Water Supply and Queensland Treasury and Trade, will carry out an assessment of the business proposals against the seven principles and towards the end of the year provide advice and recommendations to the Government on whether LMA should proceed and which of the eight irrigation schemes are ready to transition to local ownership and operation. If those recommendations are accepted by the Government, legislation will be introduced to parliament in 2015 to provide for LMA to proceed in stages.

## ESTIMATES QUESTION ON NOTICE

### No. 10

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#### QUESTION:

The Service Delivery Statement notes that through analysis of its operating environment, the department has identified strategic risks and challenges to implementing policy solutions to put downward pressure on the cost-of-living. Recognising the independent statutory authority, the Queensland Competition Authority (QCA) found the Solar Bonus Scheme (the Scheme) was the second biggest cost driver for electricity price increases in Queensland in 2014-15, could the Minister advise:

- a. The Bligh Government's original cost estimates for the Scheme;
- b. The QCA's cost estimate for the Scheme;
- c. What action the Government is taking to rein-in the costs of the Scheme; and
- d. Financial analysis about the cost impact for re-instating the Scheme's 44 cent Feed-in-Tariff subsidies.

#### ANSWER:

- a. Despite writing to Opposition MPs this year and last year for the release of the Bligh Government's original cost estimates for the Solar Bonus Scheme (the Scheme), the material is classified as Cabinet-in-Confidence and has not been publically released.
- b. In 2013 the Queensland Competition Authority (QCA) estimated the Scheme cost to be \$3.4 billion by the time it ends in 2028. The QCA determined this would cost a typical household \$276 in 2015-16.
- c. To rein in the cost of the Scheme we closed the 44 cent feed-in tariff in July 2012 and stopped the transfer of the 44 cent entitlement between successive property owners. This year we have reformed the Scheme's funding model so that from 1 July electricity retailers — not Queensland electricity consumers — pay a market rate for exported solar power. Retailers benefit financially from on-selling the solar energy exported to the grid so it is appropriate they pay for that energy. This new funding model prevents \$110 million in feed-in tariff costs from hitting household power bills over the next 6 years.
- d. Reinstating the 44 cent feed-in tariff until 30 June 2020 is estimated to add around \$2.9 billion to Scheme costs, depending on cost drivers such as uptake rates and the amount of solar energy exported to the electricity grid.

## ESTIMATES QUESTION ON NOTICE

### No. 11

#### QUESTION:

I refer to the Capital Statement for the Department, how much of the capital budget allocated in 2013-14 was expended by the end of the financial year? How much of that budget, if any, has been rolled over into 2014-15?

#### ANSWER:

The Department of Energy and Water Supply has expended \$0.338 million in Property, Plant and Equipment (as at 31 May 2014) of the 2013–14 budget of \$11.853 million and \$15.192 million in Capital Grants of the 2013–14 budget of \$51.032 million.

Of the 2013–14 budget allocation, \$2.655 million in Property, Plant and Equipment and \$6.815 million in Capital Grants have been deferred to 2014-15.

Details are provided in the tables below:

<b>Property Plant and Equipment</b>	<b>2013-14 Allocation \$'000</b>	<b>2013-14 Actuals * \$'000</b>	<b>Deferred to 2014-15</b>	<b>Note</b>
Dam Spillway upgrades **	5,567	-	-	1
Non-Commercial Assets Upgrades	4,000	192	633	2
Water Industry Asset Management System ***	2,222	108	2,022	
Plant & Equipment	64	38	-	
<b>TOTAL</b>	<b>11,853</b>	<b>338</b>	<b>2,655</b>	

\*Year to date to 31 May 2014 actuals – June final is pending year end capital reconciliations

\*\*\* This is for a computer system to support regulatory decision making.

<b>Capital Grants</b>	<b>2013-14 Allocation \$'000</b>	<b>2013-14 Actuals * \$'000</b>	<b>Deferred to 2014-15</b>	<b>Note</b>
Dam Spillway upgrades **	51,032	15,192	6,815	3,4

\*Year to date to 30 June 2014 actuals

\*\*In 2004, the Queensland Government approved a dam safety program, part of which was to assist certain dam owners to fund dam spillway upgrades. This long-running program will conclude in 2014-15.

#### Notes:

1. This \$5.6 million was fully allocated to the Ibis Dam upgrade program. It was reallocated to the 2012-13 financial year (June 2013) from the 2013-14 year. The expenses were incurred ahead of schedule as the opportunity arose to

commence the upgrade earlier than anticipated. Total expenditure from this allocation in the 2012-13 financial year was \$0.9 million, with the remaining allocation being returned to the consolidated fund.

2. \$3.1 million of the \$4 million allocated for non-commercial assets was moved to operating expenditure as part of an “*equity to output swap*” during the 2013-14 financial year. (\$0.5 million of the \$3.1 million was expended in 2013-14, the remaining \$2.6 million will be deferred to 2014-15 post budget). Of the remaining \$0.9 million allocated to capital expenditure, \$0.3 was expended in 2013-14, and \$0.6 million will be deferred to 2014-15 (post budget).
3. Lower than anticipated expenditure for 2013–14, is due to project delays and there being no remaining eligible (in accordance with the funding program selection criteria) projects. The deferral of \$6.8 million (including post budget deferral of \$0.8 million) relates to a current project which was partially delayed.
4. Of the \$51.032 million, \$29.025 million was returned to the consolidated fund in 2013-14, being the remaining funds for a dam safety program that commenced in 2004. This long running program will conclude in 2014-15.

## ESTIMATES QUESTION ON NOTICE

### No. 12

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#### QUESTION:

I refer to page 6 of the SDS, will the Minister advise the position name, description, level and location of each of the 25 Departmental positions to be cut in 2014-15?

#### ANSWER:

As outlined in the departmental SDS, the anticipated FTEs in 2014-2015 are 25 lower than the 2013-2014 estimated actuals. The completion of a regulatory work program and the further simplification of water supply regulatory arrangements has resulted in around 15 positions no longer being required. It is also anticipated that there will be a further saving of around 10 positions during 2014-2015 due to natural attrition. These are yet to be specifically identified.

<b>Position</b>	<b>Number of Positions</b>	<b>Level</b>	<b>Location</b>
Principal Project Officer	1	AO8	Brisbane
Manager Coal Seam Gas Recycled Water Regulation	1	PO6	Brisbane
Manager Recycled Water Regulation	1	PO6	Brisbane
Principal Scientist / Engineer	2	PO5	Brisbane
Senior Scientist / Engineer	3	PO4	Brisbane
Engineer	1	PO3	Brisbane
Senior Project Officer	1	AO6	Brisbane
Drinking Water Quality Officer	1	AO6	Brisbane
Senior Regulatory Support Officer	1	AO6	Brisbane
Operational Support Officer	2	AO3	Brisbane
Operational Support Officer	1	AO2	Brisbane



## ESTIMATES QUESTION ON NOTICE

### No. 13

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#### QUESTION:

I refer to page 2 of the SDS and the ongoing development of the 30 year Energy Strategy, will the Minister advise why he has failed to finalise the 30 Year Strategy by the original deadline of the second half of 2013?

#### ANSWER:

The importance of Queensland's electricity sector, as well as the long lead-time and operational life of the infrastructure that underpins the system, calls for a long-term strategy to guide the sector through a significant period of transformation.

The 2012-13 Service Delivery Statement indicated that a 30 year strategy for Queensland's electricity sector would be finalised by 30 June 2013.

To develop a meaningful long term strategy, we recognised that it is better to do it right than do it quickly and get it wrong. The State's recent history is littered with poor policy and project outcomes that might have been avoided if more time was spent on getting the strategy right.

Extending the development time for *PowerQ: a 30-year strategy for Queensland's electricity sector*, enabled us to undertake a comprehensive consultation process with a broad range of stakeholders. We released a directions paper and a discussion paper for public consultation in 2012 and 2013 respectively; we facilitated workshops with key stakeholders and advocacy groups; and we asked Queensland residential electricity consumers to volunteer their thoughts and experiences by completing a survey.

The end result is *PowerQ*.

*PowerQ* was launched on 20 June 2014 and is a robust and well-informed strategy developed collaboratively with industry and consumers. *PowerQ* establishes a clear vision for Queensland's electricity sector and will influence its future direction through the government's commitment to deliver on eight strategies and more than 40 actions over the life of the strategy.

*PowerQ* will get our electricity sector ready for the future by delivering a more resilient, competitive, cost-effective and consumer-focused industry to support the economic and lifestyle aspirations of all Queenslanders.

## ESTIMATES QUESTION ON NOTICE

No. 14

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### QUESTION:

I refer to page 2 of the SDS and the desire to deliver better infrastructure and planning, what discussions has the Queensland Government had with the Federal Government regarding the proposal to construct a new coal fired base load power station in north Queensland?

### ANSWER:

The recently published North and Northwest Queensland Sustainable Resources Feasibility Studies Report suggests that a new coal fired base load power station built in North Queensland by 2020 would be commercially viable and put strong downward pressure on electricity prices.

At this stage no proposal for such a power station has been received by the Queensland Government.

My department was not directly involved in the study, which was initiated and funded by the previous Federal Government. However, the Queensland Government was represented on the Steering Committee by a representative from the Department of State Development, Infrastructure and Planning.

Since the report was released, the Australian Energy Market Operator has released new electricity demand forecasts which show continued declines or very slow growth in demand in the National Electricity Market - although Queensland demand does grow as the LNG projects ramp up to full operation. The reduced demand forecasts will affect the financial viability and timing of any new generation development in Queensland.

Whilst this Government supports the development of new electricity generation as required by the market, we strongly believe that such development should be funded by the private sector on a fully commercial basis. It will be the role of the investors to determine both the timing and the location of future generation developments.

The Queensland Government will continue to focus on ensuring that the electricity market operates in a transparent and efficient manner, so as to encourage new investment and minimise electricity prices for all customers.

## ESTIMATES QUESTION ON NOTICE

### No. 15

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#### QUESTION:

I refer to page 7 of the SDS and the reference to state owned energy entities, will the Minister please advise for each Government Owned Corporation the current number of employees at Ergon, Energex, Powerlink, CS Energy and Stanwell, reported separately by permanent, contract, full time and part time employees?

#### ANSWER:

The current full-time equivalent (FTE) number of employees for each Government Owned Corporation (GOC) is provided below:

GOC	2012-13 FTE (actuals)	2013-14 FTE (actuals)
Ergon Energy	4435	4308
Energex	3433	3141
Powerlink	1059	1069
CS Energy	455	414.46
Stanwell	833	726

Breakdown of FTEs by category is provided below:

GOC	Employees as at 30 June 2014					
	Permanent (FTE)	Contracts <sup>^</sup>	Casual (FTE)	Permanent Part-time (FTE)	Labour Hire*	Total (FTE)/Total Workforce
Ergon Energy	Permanent FTEs: 3821	353	63	71	0	4308
Energex	2780	293	0	68	0	3141
Powerlink	Permanent FTEs (including Permanent part time): 932  Development Program FTEs: 71.5	Temporary FTEs (Fixed term): 16.7	3.4	0	45.3	1068.9
CS Energy	386.02	19	1.94	7.5	0	414.46
Stanwell	387	318	0	21	0	726

**Note\*:**

**\*Labour hire includes full time and part time paid by external labour hire agencies and not directly by entities.**

**<sup>^</sup>Contracts include full time and part time contract employees.**

Note: the financial figures for 2013-14 actuals are subject to audit changes.

## ESTIMATES QUESTION ON NOTICE

### No. 16

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#### QUESTION:

I refer to page 2 of the SDS relating to electricity prices, will the Minister please advise out of the total number of residential electricity customers in south east Queensland, how many households are currently on a market contract and how many receive the regulated tariff 11 rate?

#### ANSWER:

The actual number of residential customers in South East Queensland (SEQ) who are supplied under either a market contract or at the regulated Tariff 11 rate is not available at this time as this figure is not routinely reported by retailers.

However, according to the Queensland Competition Authority (QCA), as at 31 March 2014, **70.5 per cent** of the total number of electricity customers in SEQ, or just over 976,200 customers, were supplied under a market contract. Around **29.5 per cent**, or approximately 408,500 customers, were supplied at the regulated tariff rates. Whilst these figures include both residential and business customers, the majority would be households.

Competition has developed considerably in SEQ since it was introduced in 2007. According to the QCA, the percentage of customers on market contracts has been generally increasing since March 2011, which suggests that retailers are offering sufficient inducements to encourage customers to move from a standard contract to a market contract.

The move to market monitoring from 1 July 2015 will open up the retail electricity market in SEQ to greater competition and innovation for the benefit of consumers.

Small customers in regional Queensland will continue to have access to regulated tariffs set by the QCA and in line with the Government's commitment to uniform pricing for regional customers. However, work is continuing on a strategy to bring the benefits of competition to regional Queensland.

## ESTIMATES QUESTION ON NOTICE

### No. 17

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#### QUESTION:

I refer to pages 10 and 11 of the SDS, in both the energy and water sector reporting areas, why has the Minister lowered the performance target for 'Level of stakeholder satisfaction with engagement on key programs/initiatives (rated satisfied or very satisfied) ' to 80% instead of attempting to increase performance to reach last year's 90% target?

#### ANSWER:

The 2013-14 SDS performance target of 90% was set without the benefit of baseline data.

The result of the May 2013 stakeholder satisfaction survey produced a baseline result of 77%.

Following this, the target was revisited with a view to setting one which demanded an improvement on the previous year.

As a result, the performance target was revised to a very high satisfaction rate of 80%.

The 2014-15 target was based on the May 2013 result of 77% because at the time of developing the 2014-15 SDS the results for 2014 were not known.

Since the publication of the 2014-15 SDS, the May 2014 stakeholder satisfaction survey has provided a new benchmark of 85%.

My department has reviewed its processes in undertaking the stakeholder satisfaction survey and establishing performance targets for the next survey in April 2015 to ensure the survey reflects a commitment to continually improve performance.

## **ESTIMATES QUESTION ON NOTICE**

### **No. 18**

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#### **QUESTION:**

How much has the Department expended on external consultancies in 2013-14 and how much is budgeted to be spent on external consultancies in 2014-15?

#### **ANSWER:**

The Department of Energy and Water Supply expended \$564,000 on the engagement of external consultants for the period 1 July 2013 to 30 June 2014.

The Department has budgeted \$180,000 for external consultants in 2014-15.

The Department of Energy and Water Supply expended \$5,017,000 on the engagement of external contractors for the period 1 July 2013 to 30 June 2014.

The Department has budgeted \$5,826,000 for external contractors in 2014-15

## **ESTIMATES QUESTION ON NOTICE**

### **No. 19**

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#### **QUESTION:**

I refer to page 7 of the SDS and the reference to state owned energy entities, how many of Ergon's employees are based in Brisbane?

#### **ANSWER:**

The total number of Ergon Energy employees (including contractors) based in Brisbane is 409.

Note: the financial figures for 2013-14 actuals are subject to audit changes.



## **ESTIMATES QUESTION ON NOTICE**

**No. 20**

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### **QUESTION:**

I refer to page 3 of the SDS, will the Minister provide a list of the non-commercial water assets to be included in the Department's Total Asset Management Plan?

### **ANSWER:**

Attachment 1 includes a list of the non-commercial water Assets included in the Department of Energy and Water Supply's Total Asset Management Plan.

## Attachment 1

Structure Type	Structure Name	Location (River, Town, Region)
Dams	1. Copperfield Dam	On Copperfield River near Kidston North West Queensland
	2. Corella	On Corella River near Cloncurry North West Queensland
	3. Crooks	On Return Creek near Mt Garnet North Queensland
	4. Slimes (Left and Right Bank)	On Return Creek near Mt Garnet North Queensland
	5. East Leichhardt	On East Leichhardt River near Mt Isa North West Queensland
	6. Glen Niven	On Four Mile creek near Stanthorpe South West Queensland
	7. Jumna	On tributary of Jumna Creek near Irvinebank North Queensland
	8. Loudon	On Gibbs Creek in Irvinebank North Queensland
	9. Wyndham	On Wyndham Creek near Mt Garnet North Queensland
Weirs	10. Bajool	On Eight Mile Creek near Bajool Central Queensland
	11. Barambah Creek	On Barambah Creek near Bjelke Peterson Dam South Queensland
	12. Charles Lloyd Jones	On Alice River near Barcaldine Central West Queensland
	13. Cressbrook Creek	On Cressbrook Creek near Toogoolawah South East Queensland
	14. Lower Cressbrook Creek	On Cressbrook Creek near Toogoolawah South East Queensland
	15. Kariboe	On Kariboe Creek near Thangool Central Queensland
	16. Mungungo	On Monal Creek near Monto Central Queensland
	17. Nanango	On Barker Creek near Nanango South Queensland
	18. Proston	On Stuart River near Proston South Queensland
	19. Thangool	On Kariboe Creek near Thangool Central Queensland

Structure Type	Structure Name	Location (River, Town, Region)
	20. Tipton	On Condamine river near Cecil Plains South West Queensland
Barrage	21. Isis River	On Isis River near Childers Central Queensland
Levees	22. Mary River Agricultural Levees	On Tinnana Creek on Mark River and Saltwater Creek near Maryborough Central Queensland