

Petreski, Sonya

From: Vilkaitis, Vyt <Vyt.Vilkaitis@industry.gov.au>
Sent: Friday, 25 February 2022 11:31 AM
To: Haseltine, Chloe
Cc: Kidd, Simon; Flanagan, Adam
Subject: FW: Publish date for Final 2022-23 DMO [SEC=OFFICIAL]

Hi Chloe,

As discussed, lets chat once you reviewed and spoken to QUEN.

Warm Regards,
 Vyt Vilkaitis
 Wholesale and Retail, Electricity Division
 m: 0419 600 238 | e: vyt.vilkaitis@industry.gov.au

Department of Industry, Science, Energy & Resources | www.industry.gov.au



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OFFICIAL

From: admin@qeun.com.au [mailto:admin@qeun.com.au]
Sent: Tuesday, 22 February 2022 4:04 PM
To: Vilkaitis, Vyt <Vyt.Vilkaitis@industry.gov.au>
Subject: Re: Publish date for Final 2022-23 DMO

Hi Vyt

Thank you for your reply re the potential timing of the *Final* 2022-23 DMO 4.

As discussed although we are happy the DMO date may potentially be extended from 1 May to 21 May, we believe the date should be the same as the QCA which is 'usually' 31 May.

However, we remain very upset that the Federal Government and the AER continue to commission the same consultant for the same cost of energy report that is applied to both the DMO and QCA's regulated retail prices for regional Queensland.

FYI the following has been sent to QEUN re blow out in the cost of energy for both Southeast and regional Queensland consumers as signalled by the AER's Draft DMO 4 published last Friday.

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The Australian Energy Regulator (AER) on 18 February 2022 published its [Draft 2022-23 Default Market Offer](#) (Draft DMO 4 - [link](#)) which applies to over 190,000 residential and small business customers in Southeast Queensland.

The DMO acts as a price cap on Southeast Queensland retail prices.

Retailers in Southeast Queensland use the DMO to encourage customers to enter into market contracts by offering a discount to the DMO. When advertising or promoting an offer, retailers must show the price of their offer in comparison to the DMO. This aims to help customers more easily compare different offers.

Unlike customers in Southeast Queensland, customers in regional Queensland are largely *not* in a position to receive a discounted offer from a *non*-Ergon retailer and Ergon Retail is only allowed to charge the regulated retail prices set by QCA.

This means over 720,000 residential and business customers in regional Queensland cannot negotiate a cheaper price than the retail price set by the QCA for Ergon Retail customers.

Therefore the AER's Default Market Offer is a window to the Queensland Competition Authority's regulated retail electricity prices for *regional* Queensland for the same time period.

This is because consultant ACIL Allen estimates the total energy cost for both the AER and the QCA is essentially the same cost of energy report provided to the AER as the QCA with minor differences due to timing.

The difference in timing is because the AER publishes its Draft and Final DMOs before the QCA publishes its Draft and Final regulated retail prices.

At present Federal Government legislation requires the AER's Final DMO to be published by 1 May. However, there is a current recommendation to move the Final DMO date to 21 May.

The QCA's Final date is dependent on the Queensland Government's Ministerial Delegation but is usually 31 May.

The takeaway is the AER's *Draft 2022-23 DMO 4* estimates the *wholesale* energy cost for residential and small business customers could increase by 24% from **\$67.01/MWh** to **\$83.03/MWh**.

The AER's *Draft DMO 4* estimates the *Total* energy cost could increase by 17% from **\$90.78/MWh** to **\$106.56/MWh**.

Last year the QCA estimated the energy cost component of a regional Queensland power bill at 35%.

The 35% is blatantly misrepresented as the Queensland Government's Solar Bonus Scheme (**\$440/MWh** Solar Feed-In tariff) - is an 'energy' cost but is included in the 'network' component of a regional Queensland power bill as the Solar Bonus Scheme is collected by Ergon 'network'.

This means the AER's *Draft 2022-23 DMO 4* is signalling a potential increase of 17% in the 35% energy component of a regional Queensland power bill set by QCA.

And the *Draft 2022-23 DMO 4* **does *not* include a \$40 million RERT (Reliability and Emergency Reserve Trader) cost** incurred on 1 February 2022 to keep the lights on in Queensland.

The RERT was activated by the Australian Energy Market Operator as AEMO had forecast a new Queensland record peak demand of over 10,044 MW at the same time as AEMO was forecasting a major reduction in the availability of electricity generation (Queensland was missing about 30% of its electricity generation of all fuel types).

Due to a mid-afternoon storm in Brisbane, the peak demand in Queensland did not exceed 10,000 MW but Queensland electricity consumers will still have to pay at least \$40 million for the RERT cost.

To put the \$40 million RERT cost in perspective; through the AER's cost pass through mechanism, in 2006 regional Queensland electricity consumers paid \$43 million to repair the Ergon network after Cyclone Larry.

A few hours of RERT supplied electricity on a Wednesday afternoon is clearly an expensive exercise - a cost that could have been greatly reduced if the QEUN's proposed Traffic Light System of *unpaid* demand response was implemented (QEUN is more determined than ever to pursue funding that will allow for trials of the Traffic Light System).

QCA must publish its *Draft 2022-23* regulated retail prices for regional Queensland by 28 February.

Hold your hats, this is going to be interesting as the wholesale electricity market is on fire and Queensland could yet see more RERT costs from yet another RERT event.

Southeast Queensland Residential and Small Business (\$/MWh)	DMO 1 2019-20	DMO 2 2020-21	DMO 3 2021-22	Draft DMO 4 2022-23	DMO 4 increase on DMO 3
Wholesale energy cost	89.16	82.45	67.01	83.03	UP 24%
Total energy costs	118.44	106.59	90.78	106.56	UP 17%
Regional Queensland Residential and Small Business (\$/MWh)	QCA 2019-20	QCA 2020-21	QCA 2021-22	Draft QCA 2022-23	
Wholesale energy cost	89.16	80.90	67.76	By 28 Feb	
Total energy costs	116.06	105.14	91.83	By 28 Feb	
Regional Queensland Large Business (ICC & CAC) (\$/MWh)	QCA 2019-20	QCA 2020-21	QCA 2021-22	Draft QCA 2022-23	
Wholesale energy cost	75.58	72.41	61.09	Feb	
Total energy costs	93.50	89.75	80.90	Feb	

From Australian Energy Market Operator ([link](#)):

Daily	Monthly	<u>Annual</u>
Financial Year End	NSW	QLD
2016	\$68.59	\$73.55
2017	\$81.22	\$93.12
2018	\$82.27	\$72.87
2019	\$88.56	\$80.29
2020	\$71.95	\$53.41
2021	\$64.81	\$61.81
2022	\$69.65	\$115.22

Daily	<u>Monthly</u>	Annual
Date	Region	
2022/02	NSW	
2022/02	QLD	
2022/02	SA	
2022/02	TAS	
2022/02	VIC	

From ASX Electricity Futures Market ([link](#)):

NOTE

The Queensland wholesale electricity price for Quarter 1 and Quarter 2 2022 is **\$134.50/MWh and \$96/MWh**, significantly higher than other states in the National Electricity Market. This signals the ASX Futures Market is very concerned about the future electricity supply in Queensland.

Hence my comment that higher wholesale electricity prices and more RERT costs are possible.

This could result in both the AER's *Final 2022-23 DMO 4* and QCA's 2022-23 regulated retail prices for regional Queensland being much higher than last year.



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Australian Electricity Market Wrap

Mon 14 Feb 2022 - Fri 18 Feb 2022

Calendar Year Price as at Fri 18 Feb 2022

	NSW	VIC
2023	88.28	50.00
2024	81.60	48.00
2025	77.50	49.00

Base Quarters

Contract	Week Close	Net Change
NSW Base Q1 2022	\$80.50	\$2.95
VIC Base Q1 2022	\$59.00	\$2.75
QLD Base Q1 2022	\$134.50	-\$1.00
SA Base Q1 2022	\$72.50	-\$1.50
NSW Base Q2 2022	\$90.50	\$3.50
VIC Base Q2 2022	\$64.00	\$2.50
QLD Base Q2 2022	\$96.00	\$4.50
SA Base Q2 2022	\$86.00	-

From Australian Energy Market Operator ([link](#)):

Estimate payments and volumes for Reliability and Emergency Reserve Trader (RERT) activation on 1 February 2022

On 1 February 2022, AEMO activated reserves in Queensland with a total capacity of 331 megawatts (MW).

AEMO activated reserves due to a forecast Lack of Reserve (LOR) Condition 2 which developed into an actual LOR2 condition.

Estimated payments and volumes activated are set out in the table below.

AEMO will publish actual payments and volumes activated in the quarterly RERT report due in May 2022.

In activating RERT, AEMO followed the Interim Supply Scarcity Procedure¹ and determined that no directions or clause 4.8.9 instructions would have avoided the need to activate RERT.

1 February 2022

Region	Estimated volume (MWh)	Estimated payments (\$)
Queensland	1,448 MWh	\$39,747,808

This report is a requirement of clause 3.20.6 (a) of the National Electricity Rules.

Publication date – 7 February 2022

From QCA information booklet on Final 2021-22 regulated retail prices for regional Queensland ([link](#)):

What costs form my electricity bill?



Retail costs

These include costs for customer services like call centres and administrative tasks (e.g. sending bills).

Energy costs

These include costs to buy electricity from the wholesale market. It also includes the costs to comply with 'green schemes' such as the Renewable Energy Target.



Network costs

These include costs to transport electricity via the electricity network. They also include other costs such as the solar bonus scheme.

Other adjustments

These adjustments include matters that we are required to consider under our legal framework.



The chart shows how the components contributed to the bill of a typical customer in 2020–21



Percentage share has been rounded to the closest whole per cent.

Kind Regards
 Jennifer Brownie
 Queensland Electricity Users Network

On 22/02/2022 1:23 pm, Vilkaitis, Vyt wrote:

Hi Jennifer,

Thanks for the chat earlier on – appreciated the candid discussions and hearing the concerns you raised.

For the below question, the department is currently reviewing submissions and is in the process of finalising the review.

The change would require regulatory change and is subject to other government processes – so I cannot give you a timing of knowing if, or when, a change will occur. So at this stage, the AER require to determine the DMO by 1 May 2022.

Sorry I can't be more informative at this moment.

Warm Regards,
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From: admin@qeun.com.au [mailto:admin@qeun.com.au]

Sent: Tuesday, 22 February 2022 11:55 AM

To: Vilkaitis, Vyt <Vyt.Vilkaitis@industry.gov.au>

Subject: Re: Publish date for Final 2022-23 DMO

Hi Vyt

Can you please advise if the Final 2022-23 DMO (DMO 4) will be published on 1 May or 21 May 2022.

DIRECTION 3:

The department proposes to move the DMO Determination date from 1 May to 21 May.

The delay of three weeks is a good balance for improving alignment of timing.

This change means that retailers will have a reduced period in which to update offers and related materials. However, the benefit to both retailers and customers from more accurate DMO Determinations outweighs this. Implementation of this direction will require an amendment to the Code, which is planned for implementation in time for the 2022-23 DMO determination process.

My best contact is [REDACTED]

Kind Regards
Jennifer Brownie
Queensland Electricity Users Network

On 12/01/2022 8:25 am, Vilkaitis, Vyt wrote:

Hello,

As you are aware, the Department of Industry, Science, Energy and Resources have been working on developing directions to improve the ongoing implementation of the *Competition and Consumer (Industry Code – Electricity Retail) Regulations 2019*. This follows the initial round of public consultation earlier this year to inform the review of the code.

The department is pleased to advise that we have started public consultation on these directions and are seeking stakeholder review and comment. You can access the consultation page and directions paper at <https://app.converlens.com/industry/review-of-dmo-and-reference-price>. Submissions close 2 February 2022.

The department will be holding an information session for stakeholders on 20 January at 1:00pm Canberra time and would encourage your attendance (registration details available on the consultation hub link above).

If you have any questions, please contact me,

Warm Regards,
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