



Minister for Energy and Clean Economy Jobs

Our Ref: MN02659-2024

5 March 2024

Ms Clare Savage
Chair
Australian Energy Regulator
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Dear Ms Savage

I am writing to you regarding the Australian Energy Regulator's (AER) upcoming determination for the 2024-25 Default Market Offer (DMO) in the South East Queensland (SEQ) electricity market.

As you are aware, the Queensland Government is committed to delivering affordable electricity and remains focused on easing cost of living pressures for Queensland households and businesses.

Following our recent discussion at the Energy and Climate Change Ministerial Council, I understand that a range of factors are contributing to DMO 6 cost pressures, noting that the AER is yet to formally decide on 2024-25 network prices.

Given cost of living pressures, the need to shield Queenslanders from standing offer arrangements that are higher than necessary is more prevalent than ever. The Queensland Government is concerned that whilst only a small proportion of customers rely on the DMO, and in fact many voluntarily enter into retail arrangements in excess of the DMO, perceptions of cost-of-living pressures can have broad impacts on the confidence of consumers and potentially their overall wellbeing. In considering the approach to DMO determination, efforts should be applied to shield consumers from any real or perceived impacts on their household budgets.

I note that the AER's approach to determining the appropriate retail allowances for the DMO objectives has changed across DMO determinations. In the DMO 2024-25 issues paper, released in October 2023, the AER sought advice from stakeholders regarding the approach to setting the retail allowance and if the AER should move away from these past approaches.

As such, I am also asking that the AER consider if its proposed methodology for determining an additional retail allowance for DMO 6 remains relevant. Specifically, to consider if the provision of retailer headroom, with a lower allowance, is sufficient to meet the DMO objective to allow retailers to recover their efficient costs of providing services.

I note the Victorian Default Offer does not include a headroom allowance; yet the Victorian retail market has remained robust and competitive. I also note that the equivalent allowance in SEQ was originally lower than the AER's residential target of ten per cent. This would seem to be a part of the DMO methodology that could be considered for reductions rather than increases and potentially even elimination as an added cost amount.

Given the broad range of pressures on household budgets, whilst easing in recent months, it is our view that now is not the appropriate time to be preferring comfort for electricity retail business, at a cost retail consumers.

Finally, I ask that the AER also take a critical view as to its approach to determining wholesale energy costs – including the Net System Load Profile (NSLP) data that it uses. Wholesale energy costs have fallen since their peaks of 2022. I also ask that when considering the appropriate NSLP as part of this year's methodology, that the AER use the approach that delivers the lowest wholesale energy cost outcome as part of the DMO 6 cost stack.

This proposed approach would take into account the needs of consumers who ought not to bear the brunt of this update to methodology at this time.

The Queensland Government thanks the AER for its role in setting the DMO for SEQ. An appropriately set DMO that balances the objectives of preventing retailers from charging customers on standing offers unjustifiably high prices and enabling retailer's recovery of their costs while incentivising retail competition and innovation is important.

If you require further information or assistance with this matter, Dr Liam Byrnes, Executive Director, Department of Energy and Climate can be contacted on 0499 971 691 or email liam.byrnes@epw.qld.gov.au.

Yours sincerely



Mick de Brenni MP
Minister for Energy and Clean Economy Jobs