

Ergon Energy's role in a competitive Queensland electricity market

Ergon Energy Queensland Pty Ltd is the retail arm of Ergon Energy that sells electricity to non-market customers¹ in regional Queensland.

The cost of supplying electricity to many customers in regional and remote parts of the State is much higher than the regulated prices that Ergon Energy is allowed to charge its customers. The Queensland Government provides a subsidy, known as community service obligation payments, to Ergon Energy to meet the difference between the cost of supply and the prices Ergon Energy can charge. In 2006-07 payments of approximately \$636 million were paid to Ergon Energy.

Restriction on competition

Section 55G of the *Electricity Act 1994* came into effect on 1 July 2007 with the commencement of full retail competition and prevents Ergon Energy from competing with other retailers in the Queensland market. Ergon Energy is not permitted to offer negotiated retail contracts to any Queensland customers and can only supply its customers on **standard retail contracts** at the **notified prices**². Ergon Energy is not permitted to compete with other retailers because it is the only retailer operating in Queensland that is owned and subsidised by the Queensland Government. This places it at an unfair advantage over other retailers in the market.

If an Ergon Energy customer decides to switch to another retailer, that customer will not be able to return to Ergon Energy as a customer at that **premises** in the future. Nor will any future customer at the premises be entitled to be supplied by Ergon Energy.

This is because a retailer entering a negotiated retail contract with the customer indicates that the customer at that premises is a commercially attractive customer. A customer at that premises can thus receive the benefits of competitively determined prices, and no longer requires the benefit of the subsidy paid to Ergon Energy.

¹ Non-market customers are those that have not entered a negotiated contract.

² For more information about standard retail contracts refer to the *Electricity Retail Contracts and Prices* fact sheet and for more information about notified prices, refer to the *Regulated Electricity Prices* fact sheet.

Customers are no worse off

While it will not be possible to return to Ergon Energy in the circumstances described above, any **small customer**³ at a premises supplied by a retailer other than Ergon Energy is entitled to be supplied on exactly the same terms and conditions, including price, that Ergon Energy customers receive.

All small customers have the right to return to a standard retail contract when their negotiated contract ends. This standard retail contract is set by the Queensland Government and forms part of the *Electricity Industry Code*. All customers being supplied under a standard retail contract pay the regulated prices set annually by the Queensland Government.

The only difference between a standard retail contract with Ergon Energy and one with any other retailer is the name of company sending the bill. All other terms, conditions, rights and protections are the same.

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³ A small customer is one which consumes up to 100 megawatt hours of electricity per annum. For more information about customer classifications, refer to the *Classification of Customers* fact sheet.