

# Sale of the Queensland Government's Energy Retail Businesses

In early 2007, the Queensland Government finalised the sale of the electricity and gas retailing businesses of ENERGEX, the competitive retail business of Ergon Energy, and ENERGEX's Allgas Energy natural gas distribution network.

The Government's electricity distribution, transmission and generation assets have not been sold.

## Why were they sold?

The decision to sell the assets was made in April 2006, following an independent review of the Government's energy businesses which recommended that the Queensland retail businesses of ENERGEX and Ergon Energy be sold to assist with the introduction of full retail competition for domestic and small business customers in Queensland on 1 July 2007.

From 1 July 2007, household and small business energy customers in Queensland are able to choose their retailer for the first time. Full retail competition is expected to deliver greater choice, better services and more competitive prices, particularly for customers in south-east Queensland.

If the businesses had not been sold, Government-owned retailers would have been competing against aggressive private retailers under full retail competition. The Government's value in the business was only going to reduce. Splitting the ENERGEX customer base in two and selling the businesses provided a boost to competition. And selling these businesses prior to the introduction of full retail competition allowed the State to maximise the return to taxpayers from the sale of the assets.

ENERGEX and Ergon Energy can now focus on providing essential distribution network services, enhancing the reliability of Queensland's electricity supply.

## Who bought them and when?

1 November 2006 – Australian Pipeline Trust purchased the Allgas Energy natural gas distribution network.

1 February 2007 – Origin Energy purchased Sun Retail Pty Ltd, the former retailing arm of ENERGEX, with around 840,000 electricity customers in and around Brisbane's CBD, Brisbane's inner northern suburbs, and areas south and west of Brisbane in south-east Queensland and 55,000 LPG customers in south-east Queensland.

1 February 2007 – AGL purchased Sun Gas Retail Pty Ltd, the former natural gas retailing arm of ENERGEX with around 70,000 industrial, commercial and residential natural gas customers in Queensland and Northern New South Wales plus some 140 commercial and industrial customers in Victoria.

1 March 2007 – AGL purchased Powerdirect Australia, with some 390,000 customers in Brisbane's outer northern suburbs, the Sunshine Coast, Cooloola and Kilcoy Shires, Ergon Energy's existing competitive retail business (mainly commercial and industrial customers), and existing Victorian, South Australian and New South Wales customers of Powerdirect Pty Ltd.

Origin Energy and AGL are publicly listed companies on the Australian Stock Exchange, with substantial experience in the sale of electricity and gas in Australia.

## What is the Government doing with the money?

The Queensland Government raised just over \$3 billion from the sale of its energy retail and gas distribution businesses. The sale proceeds have been placed into the *Queensland Future Growth Fund* for major economic infrastructure projects such as water, clean coal technology and other transport and energy infrastructure.

## What does this mean for customers?

The energy sales processes sought to minimise disruption for customers. In most cases, the only change has been to the name of the company sending customers their bill.

However, around 2,500 gas customers will now receive two bills if they are both serviced hot water (Origin) and natural gas (AGL) customers. This is because ENERGEX's former natural gas business was sold separately as Sun Gas Retail. Some of these 2,500 customers with low rates of usage may experience an increase in their bills if both accounts attract minimum usage charges. However, the introduction of full retail competition in gas will allow such customers to manage this situation by changing their gas retailer.

The sales will not affect the operation of the State's electricity network. The ENERGEX and Ergon Energy networks remain in Government ownership and the significant investment in network infrastructure and maintenance (including construction, fault repair and upgrading of poles, wires, substations and cables) will continue.

## Do the changes affect Ergon Energy's residential and small business customers?

Outside south-east Queensland, Ergon Energy will continue to provide electricity to rural and regional domestic and business customers who do not enter a negotiated contract with another retailer. These customers will continue to receive electricity at the regulated, Government-subsidised electricity prices.

The competitive retail business of Ergon Energy (mainly commercial and industrial customers) has been sold as part of the Powerdirect sale package.

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