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Energy White Paper Taskforce
Department of Industry
GPO Box 1564
CANBERRA ACT 2601

Dear Sir/Madam

ENERGY WHITE PAPER – ISSUES PAPER

Ergon Energy Corporation Limited, in its capacity as a Distribution Network Service Provider (DNSP) in Queensland, welcomes the opportunity to provide a submission to the Department of Industry (DoI) on its *Energy White Paper – Issues Paper*.

Ergon Energy is a member of the Energy Networks Association (ENA), the peak national body for Australia's energy networks. The ENA has prepared a comprehensive submission addressing the DoI's Issues Paper. Ergon Energy is generally supportive of the issues raised in their submission. Similarly, Ergon Energy supports the submission provided by the Energy Supply Association of Australia (ESAA), the peak industry body for the stationary energy sector in Australia.

Ergon Energy welcomes the Australian Government's commitment to exploring measures to support investment and growth in the energy and resources sector, and in particular to reducing the regulatory burden through regulatory reform and broader market reform measures.

Regulatory Burden

The energy sector is currently experiencing a significant period of regulatory review and reform, with recently introduced guidelines and changes to the regulation of networks, and ongoing reviews and Rule change requests. Ergon Energy agrees with the ENA that the current reforms require adequate opportunity to be implemented and to take effect prior to further policy initiatives being undertaken. Moreover, Ergon Energy suggests that any further policy initiatives should seek to simplify and reduce the regulatory burden and harmonise with recent policy changes.

Ergon Energy suggests market reform from a customer centric perspective, rather than the historical supply side focus, must deliver the lowest cost technical solution to customer

needs. Ergon Energy considers that as the strength, depth and effectiveness of the market grows the need for heavy handed regulation and price control will diminish along with the cost burden associated with it.

Cost Reflective Pricing

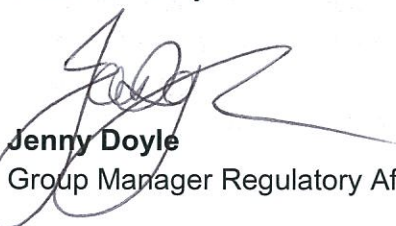
Ergon Energy notes the ENA proposal for a national implementation framework for a phased transition to cost-reflective pricing based on defined consumption thresholds and consumer initiated trigger events, such as the connection of solar photovoltaic (PV), better storage and electric vehicles and connections to new premises. Similarly, the ESAA has proposed the introduction of principles to transition to more flexible pricing arrangements, including the provision for implementing advanced metering infrastructure. The ESAA suggests that cost-reflective tariffs will incentivise cost-effective demand responses and ensure customers have access to proper tools to manage their consumption. Ergon Energy supports the introduction of a framework / principles which promote these outcomes.

Ergon Energy has been responding to this challenging environment and has put price at the centre of its strategy with a goal to limit increases in average network charges to less than the Consumer Price Index over the medium term. Ergon Energy remains focused on improving its overall efficiency and is also exploring how to more actively manage the load on our network to improve its utilisation. If our strategy is successful, our customers will see continuing value in being connected to our distribution network and view Ergon Energy as a key energy partner and market enabler in supporting their energy needs – rather than just another energy supplier.

Furthermore, Ergon Energy suggests Government consider the changing market structure, from one of a monopoly environment to one of substitution, in setting policy and regulation. Customers now have alternative options available to them. In Queensland, we have seen a high rate of uptake of solar PV systems, and Ergon Energy expects fully stand-alone alternatives to become available that can effectively substitute for a connection to the grid. The current electricity supply chain needs to evolve to ensure it remains competitive, and so customers see value in remaining connected to the electricity grid.

Should you require any additional information or wish to discuss any aspect of this submission, please do not hesitate to contact either myself on (07) 3851 6416 or Trudy Fraser on (07) 3851 6787.

Yours sincerely



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