

21/08/2025

Queensland Productivity Commission

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To the Members of the Commission,

Thank you for the opportunity to make a submission on the Commission's Interim Report on productivity in Queensland's construction sector. In the following submission, I am primarily concerned with the impact of Queensland's Distribution Network Service Providers (DNSPs), Ergon and Energex, on productivity in the construction sector.

Both Ergon and Energex are natural network monopolies as DNSPs, and their revenues and practices are regulated accordingly. However, I am concerned that Queensland's regulatory environment has allowed Energex and Ergon to extend their market power beyond their natural monopoly, owning and operating Queensland's low-voltage networks, into areas where competition could result in better incentives, more choice, higher productivity, and better outcomes for the people of Queensland.

As you will be aware, Energex and Ergon are both subsidiaries of Energy Queensland Limited (EQL), and several frameworks and agreements (including Enterprise Bargaining Agreements (EBAs), Accredited Service Provider (ASP) Frameworks, and the Queensland Electrical Connection Manual (QECM)) are set by the parent and apply across both networks.

Contestable Works

I note Chapter 22 of the Interim Report refers to the impact of EQL's 2024 EBA on ASPs, especially the impact on labour costs and project timeframes. Although the latest EBA is the most obvious cause of concern, I suggest that the anticompetitive power EQL wields over the electrical contracting industry is what allows EQL to apply its own EBA provisions upon other entities.

To own and operate distribution network assets in Queensland an entity must hold a Distribution Authority granted by the Queensland Government. To avoid the obligations, complexities and costs that come with this, entities that require distribution network assets (especially for construction and development) will most often commission these assets with the aim of 'gifting' these assets to Energex or Ergon upon completion. Subject to the scope of contestable works in that jurisdiction, these works may be commissioned from the DNSP itself or from an accredited third-party entity (an ASP).

When these assets are constructed by a third party, Energex and Ergon have good reason to require a level of quality assurance for gifted assets before accepting responsibility for them. Further, given the very high requirements for reliability and safety and the fact that these assets are not always possible to visually inspect (especially undergrounding), it is appropriate that the quality assurance process applies to the entities installing the assets, as well as the assets themselves. This supports the existence of an ASP framework – the process of accrediting which electrical contractors are trusted to construct these network assets.

However, given that Energex and Ergon are themselves competitors for this work, it is not fair and competitive for the DNSP to set the requirements of the ASP Framework itself. In this way, Energex and Ergon essentially control their competitors, including not just safety and assurance requirements but also the wages and conditions for their employees. In this way, the DNSPs have a profit motivator to set these requirements higher, limit competition, and keep more work and revenue to themselves.

Suggestion 1: The Commission recommend that responsibility for setting the requirements of the ASP framework fall to an independent entity, perhaps the Queensland Competition Authority or the Electrical Safety Office.

Further, as mentioned above, the option of commissioning works from a third-party ASP is itself subject to the scope of contestable works in that jurisdiction. Currently, the DNSPs set the scope of contestable works, and therefore decide the boundaries of the competitive market versus their own monopoly.

Although the existence of non-contestable work may be justifiable, setting the scope of contestability and therefore competition should not be in the hands of a market participant. The DNSPs have a profit motive to limit competition and guarantee themselves more revenue.

Suggestion 2: The Commission recommend that responsibility for defining contestable versus non-contestable works fall to an independent entity, perhaps the Queensland Competition Authority or the Electrical Safety Office.

Queensland Electrical Connections Manual

The standards for electrical connections in Queensland are set by the Queensland Electrical Connections Manual (QECM). Currently, the QECM is written and published by EQL, informed by other Australian standards (e.g. AS/NZS 3000).

I note that Section 22 of the Interim Report points to substantial stakeholder dissatisfaction with the QECM, and especially the perception that EQL has set more onerous standards, inconsistent with other jurisdictions.

I suggest that EQL, as a market participant, does not have the correct incentives to set the QECM to properly balance productivity and safety, or any incentive to align to other jurisdictions. Rather, EQL has an incentive to raise standards for electrical connections to minimise its own expenses.

Suggestion 3: The Commission recommend that responsibility for publishing the QECM fall to an independent entity, perhaps the Electrical Safety Office.

Conclusion

In closing, I wish to reiterate my central contention that EQL, as a commercial entity under the *Government Owned Corporations Act 1993*, is a for-profit market participant and should not be entrusted with the powers of a market regulator. By taking on these roles, EQL may use its market power to act in ways that inhibit competition and productivity.

I commend the commission for its work so far and thank you for your attention to this submission.