

# Queensland Competition Authority

## Regional retail electricity price regulation

Advice to Government

# What has the QCA been asked to do?

- Provide advice on uniform tariff policy (UTP) and approaches to setting regulated electricity prices in regions
- Consider efficiency and effectiveness of current UTP arrangements
- Identify pricing options that maintain a UTP
- Other alternatives that target subsidies to areas of greatest need
- Consider extent to which options support competitive market

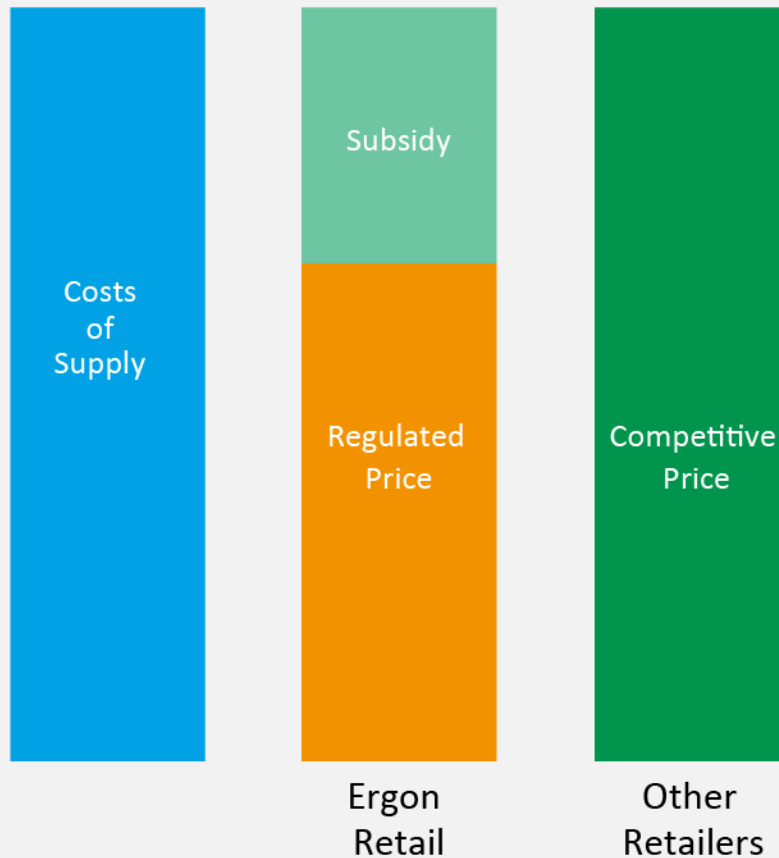
# What is the uniform tariff policy

- Customers pay the same regulated electricity prices regardless of location
- This ignores the higher costs in regional Queensland
- Subsidy paid to Ergon (Retail) to cover difference

# Current UTP arrangements

- No clear definition and objective
- Customers make consumption & investment decisions that don't match true costs of supply
- Excessive investment in supply infrastructure
- High cost of subsidy (approx \$615 million in 2013–14)
- Barrier to competition

# Subsidy to Ergon = key barrier to competition



# Our review of UTP

- Identify pricing approaches which:
  - maintain a UTP
  - target subsidies to areas of greatest need
- Key questions:
  - who should receive subsidised electricity?
  - how much should they be subsidised?
  - how should the subsidy be provided?

# Next steps

Submissions on Issues Paper:

- due 28 February 2014

Final advice to Minister:

- due by 30 April 2014

# Questions?

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