

File Ref: 799217

9 December 2014

The Honourable Mark McArdle MP
Minister for Energy and Water Supply
Level 13, Mineral House
41 George Street
Brisbane QLD 4000

Dear Minister

Estimated impact of removing Solar Bonus Scheme costs from electricity prices in 2015–16

I am writing in response to your direction to the Queensland Competition Authority (QCA) under section 253AA of the *Electricity Act 1994*, requesting an estimate of regulated retail electricity prices and the impact on typical customer bills in 2015–16, if the costs of the Solar Bonus Scheme are removed from electricity prices.

The table sets out the estimated prices and bill impacts for the residential and small business customer tariffs. Based on the latest available information, we expect that the typical residential customer on tariff 11 would see a reduction in their annual bill of 3.4% (\$49), compared to 2014–15, if the costs of the Solar Bonus Scheme were removed. A typical business customer on tariff 20 would see their annual bill fall by 4.2% (\$88) and a typical tariff 22 customer would see a reduction of 4.4% (\$343) compared to 2014–15.

Impact on small customer retail tariffs in 2015–16 - excluding Solar Bonus Scheme costs

	Fixed charge	Off-Peak/flat rate	Shoulder rate	Peak rate	Demand	Annual bill ¹	Change from 2014-15	Change from 2014-15
	c/day	c/kWh	c/kWh	c/kWh	\$/kW/mth	\$/year	\$/year	%
Tariff 11	107.483	21.141				1,417	-49	-3.4%
Tariff 12	107.483	16.252	32.188	57.790		2,440	-247	-9.2%
Tariff 31		11.509				241	8	3.5%
Tariff 33		17.361				342	-8	-2.2%
Tariff 20	131.088	22.158				2,013	-88	-4.2%
Tariff 22	131.088	18.189		24.151		7,390	-343	-4.4%
Tariff 22A	131.088	19.085	33.242	41.975		7,387	-346	-4.5%
Tariff 41 ²	865.087	10.537			24.146	n/a	n/a	n/a

1. Includes GST and metering costs, which are expected to be recovered through a separate charge to notified prices in 2015–16.

2. Typical bill impacts could not be estimated for Tariff 41 customers due to insufficient data.

We have not yet been provided with Ergon Distribution's proposed network charges in 2015–16, excluding Solar Bonus Scheme costs. For this reason, the estimated prices for tariffs 12 and 22A (which are derived from Ergon Distribution time of use network tariffs) are based on the assumption that the removal of Solar Bonus Scheme costs would reduce the variable and fixed tariff components of these network tariffs equally.

You have also requested advice on the impact of removing the Solar Bonus Scheme on transitional tariffs. As you know, solar bonus costs are not explicitly included in the prices charged to customers on transitional tariffs. Transitional tariffs are historic rather than cost-reflective. Solar bonus costs have an indirect impact on transitional tariffs to the extent that the increases in standard business tariffs over the last two years have prompted price increases in transitional tariffs.

In the draft determination, the QCA has proposed a 5% increase to transitional tariffs on the assumption that standard business tariffs will increase in 2015–16. The latest information suggests that tariff 20 will increase by 1.3% and tariff 22 will increase by 2%.

It is possible that lower network and Solar Bonus Scheme costs will see notified prices for standard business tariffs fall in 2015–16. If prices fall significantly, the QCA will consider whether the proposed 5% increase is still necessary. It may be the case that a lower increase or no increase in transitional prices would be justified. That decision will be made when the final network and Solar Bonus Costs for 2015–16 are clear (i.e. after the AER preliminary determination is released in late April 2015).

I would be pleased to discuss this advice with you or your office at your convenience. You can contact me on

Yours sincerely



Malcolm Roberts
Chairman