

Queensland  
Competition  
Authority

DRAFT DECISION:  
ELECTRICITY PRICES FROM 2015–16  
FOR REGIONAL QUEENSLAND



# Background

- Prices deregulated in south east Queensland from 1 July 2015
- 2015-16 notified prices only apply in regional Queensland
- Uniform tariff policy remains in place
- UTP subsidy in 2014–15 = \$655 million

# Issues

- Conflict between considering costs of supply and maintaining the UTP
- Minister defines UTP as meaning that small regional customers should not pay more than expected standing offer prices available in south east Queensland
- QCA proposes to base prices on:
  - SEQ costs for residential and small business tariffs
  - SEQ cost levels, with Ergon tariff structures, for time-of-use tariffs 12 and 22
  - Lowest regional costs for large customer tariffs

# Methodology

- Methodology largely unchanged from previous years
- Network costs are based on draft tariffs and prices supplied by distributors
  - Tariffs 12 and 22A are based on Energex fixed charges and reduced Ergon consumption charges
- Wholesale energy costs are based on forecasts by ACIL, using a hedging, or market-based, approach
- Retail operating costs and margin estimated through benchmarking
- Headroom maintained at 5%

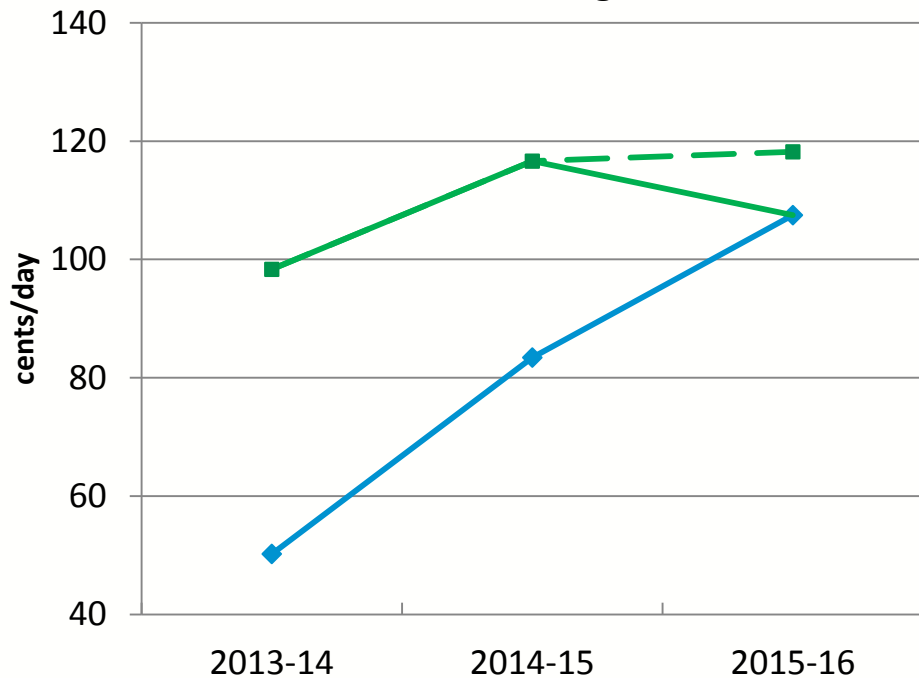
## 2015-16 Network costs

- Network costs in the 2015-16 draft determination are based on distributor proposals to the AER
- High degree of uncertainty about final 2015-16 network costs
- AER preliminary determination on network revenue released on 30 April 2015
  - Similar determination on NSW distributor proposals saw large revenue reductions
- As with previous years, network costs for the final determination will be based on prices submitted by distributors to the AER in May 2015

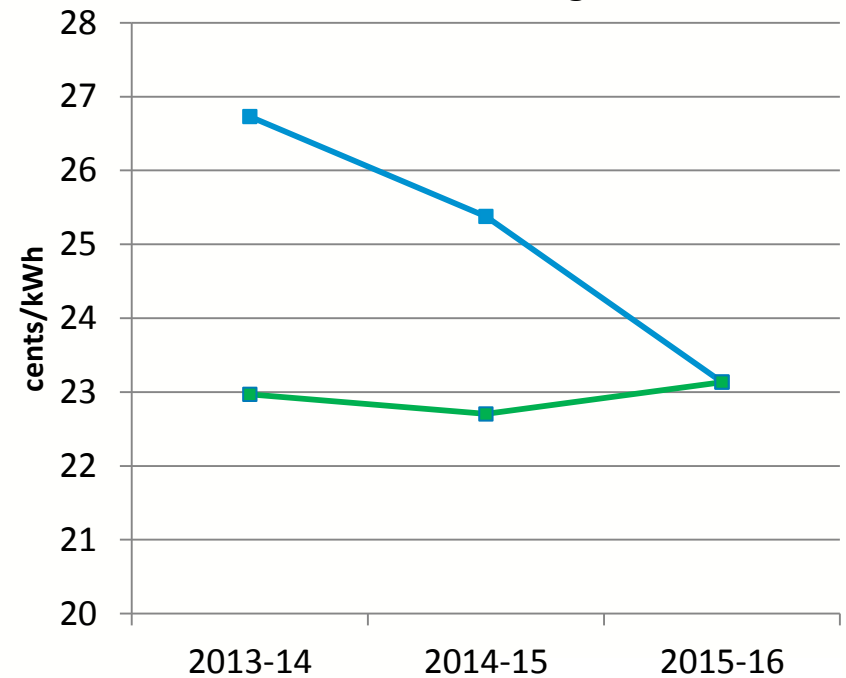
# Tariff 11 rebalancing

- Historically, the tariff 11 fixed charge has been below cost and the variable charge has been above cost
- Our draft determination is to complete the 3 year transition to prices which reflect costs in south east Queensland

### Fixed charge



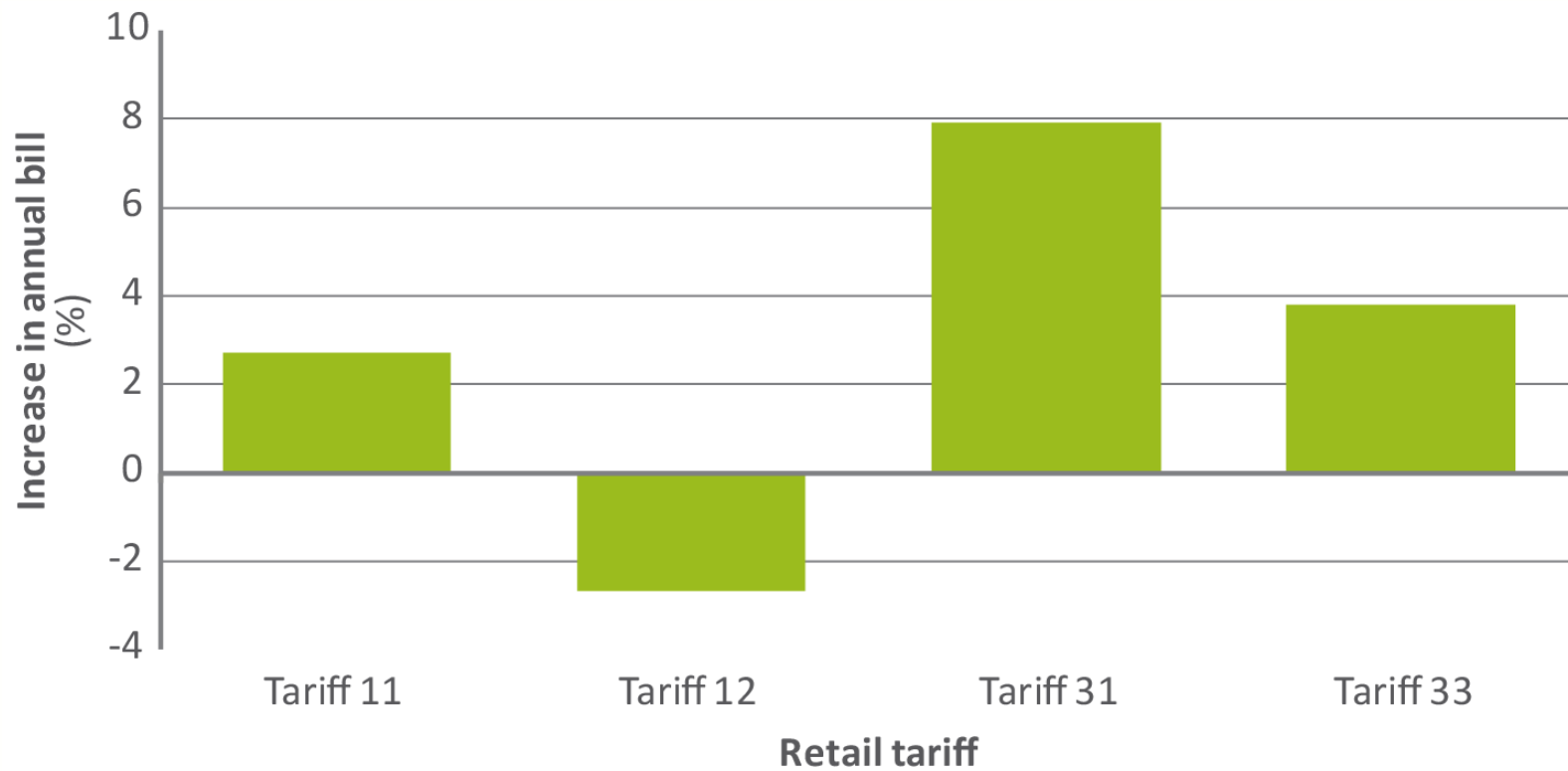
### Variable charge



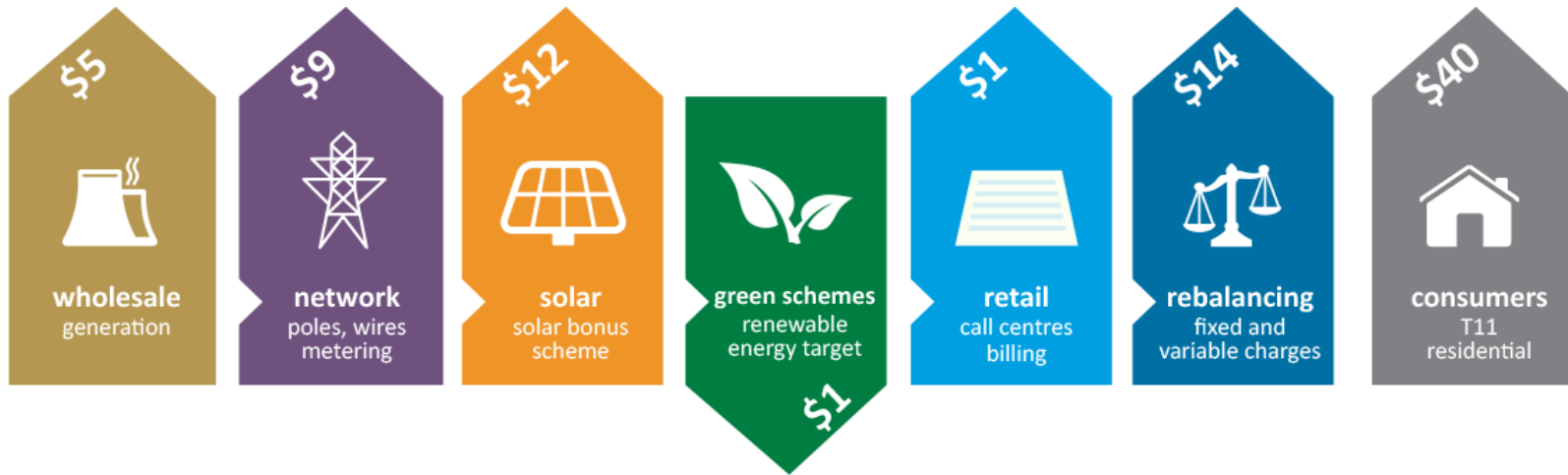
◆ Transitional    ■ Cost reflective    ■ Cost reflective (inc metering)

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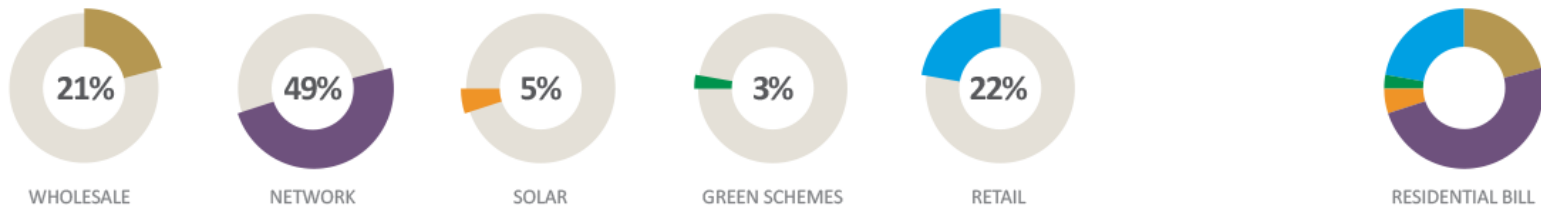
# Typical residential tariff changes 2015–16



# Changes to typical tariff 11 bill 2015–16

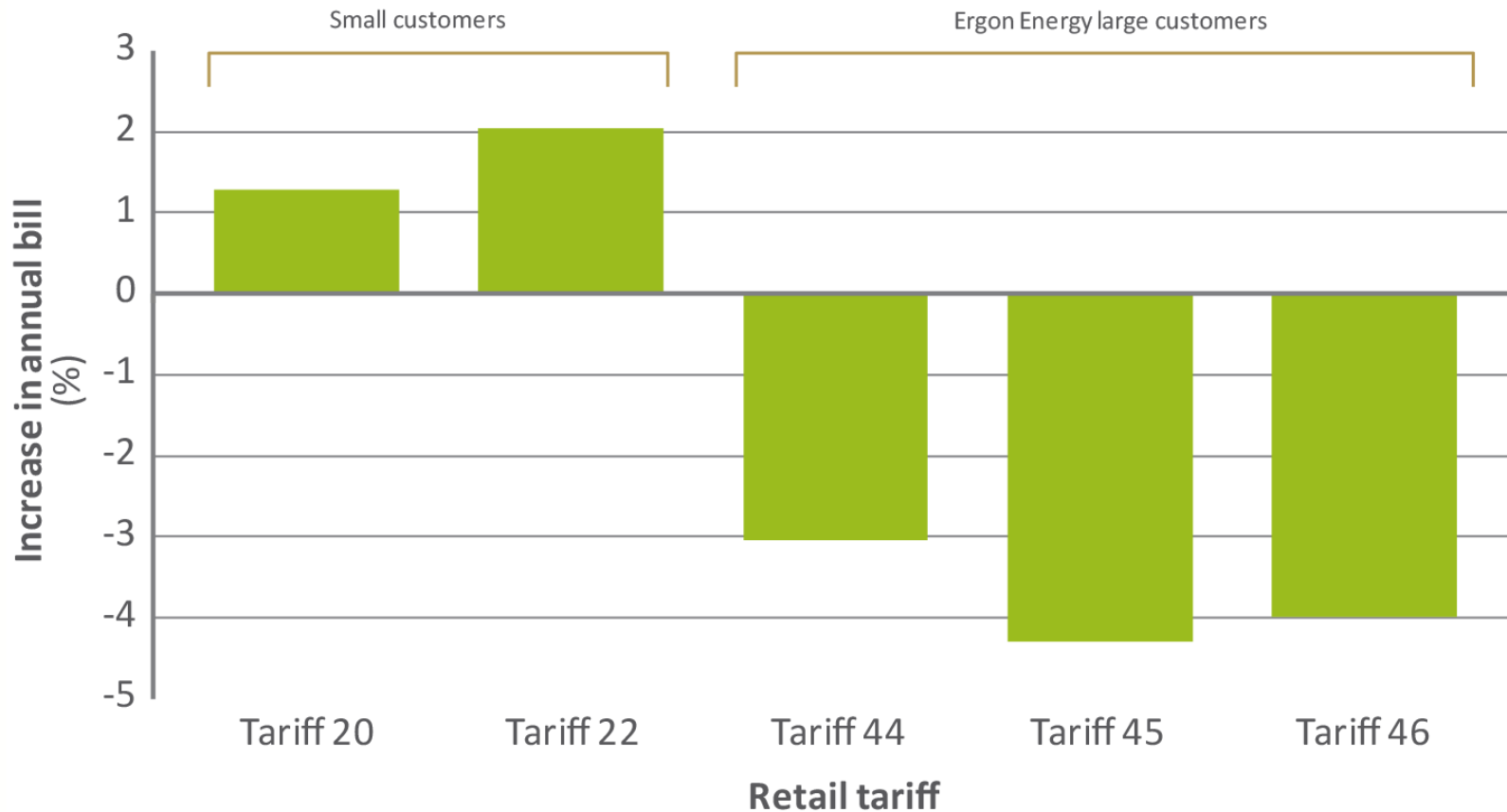


## Percentage of bill

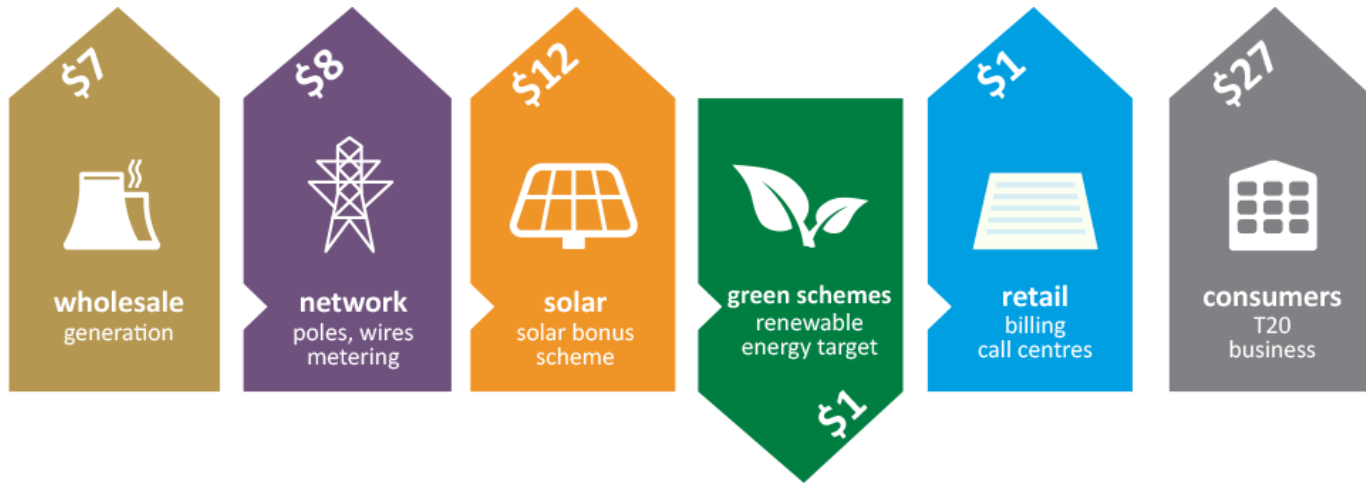




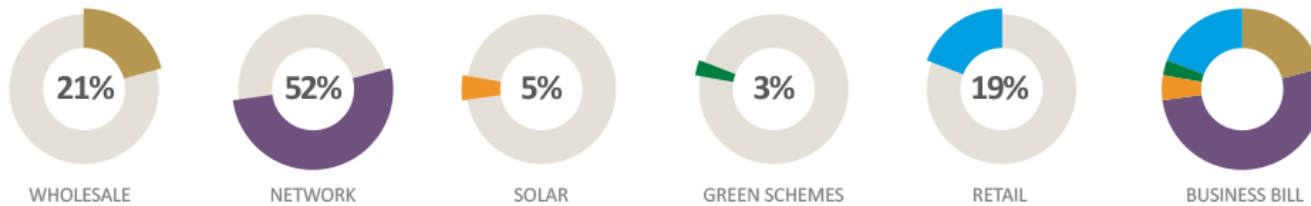
# Typical business tariff changes 2015–16



# Changes to typical tariff 20 bill 2015–16



Percentage of bill



## Transitional tariffs

- Around 35,000 customers on transitional tariffs
- QCA will shrink gap between transitional and standard business tariffs until they are phased out in 2020
- QCA proposes 5% increase to transitional tariffs in 2015–16
- QCA will review decision on transitional tariffs if forecast increases to other tariffs do not eventuate

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Submissions close 27 February  
[www.qca.org.au/submissions](http://www.qca.org.au/submissions)

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Questions?

