

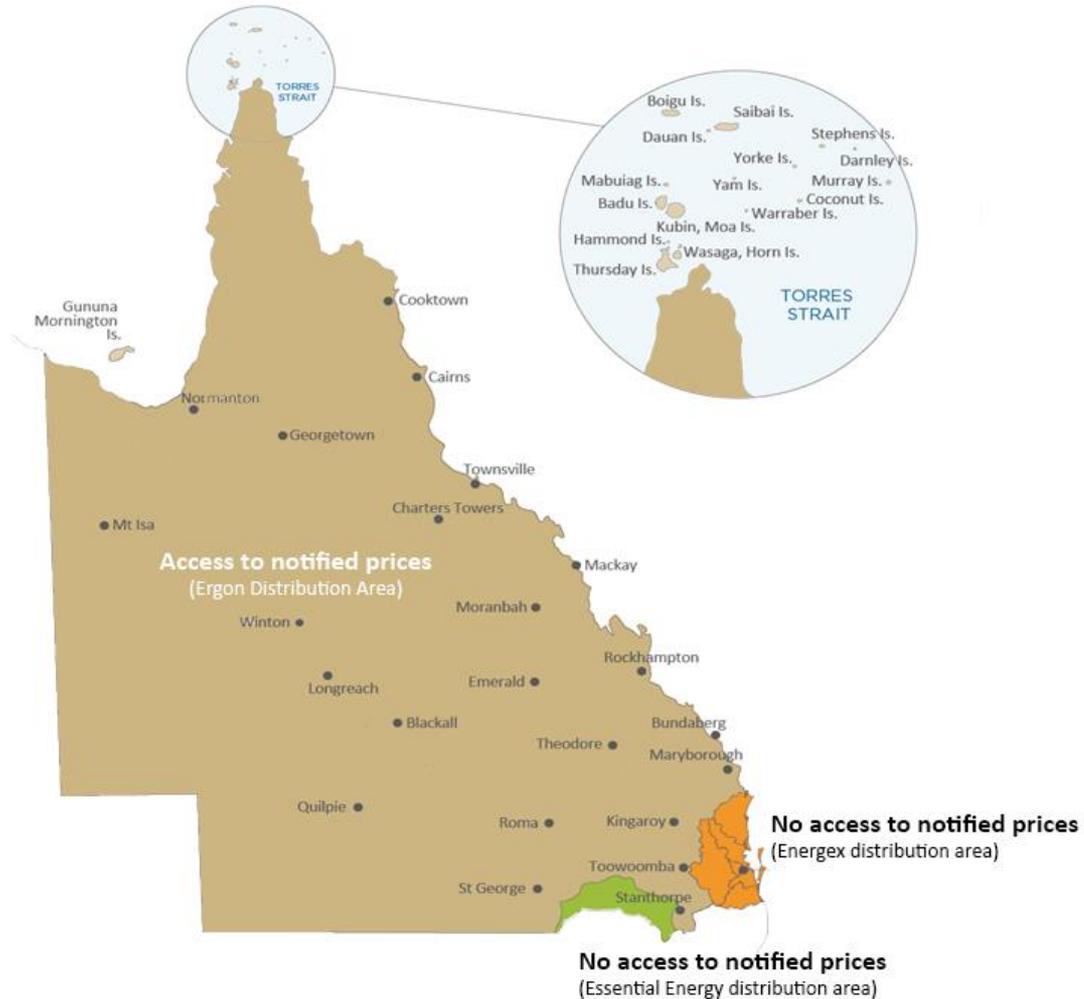
Queensland
Competition
Authority

DRAFT DETERMINATION

2017-18 Retail Electricity Prices



Notified prices



Legislative framework

Under the Electricity Act the QCA must have regard to the actual costs of supply, the effect on competition, and any other matters required by the Minister's delegation.

The Minister's delegation requires the QCA to consider:

- Using a Network(N) + Retail(R) approach, where the N is a pass through
- Maintaining transitional arrangements
- Applying the Queensland Government's uniform tariff policy, which the Minister defines as:

Wherever possible non-market customers of the same class should pay no more for their electricity regardless of geographic location

And for residential and small business tariffs:

The Government considers that regulated prices for regional Queensland for small customers should broadly reflect expected prices for customers on standing offers in SEQ

Uniform tariff policy – small customers



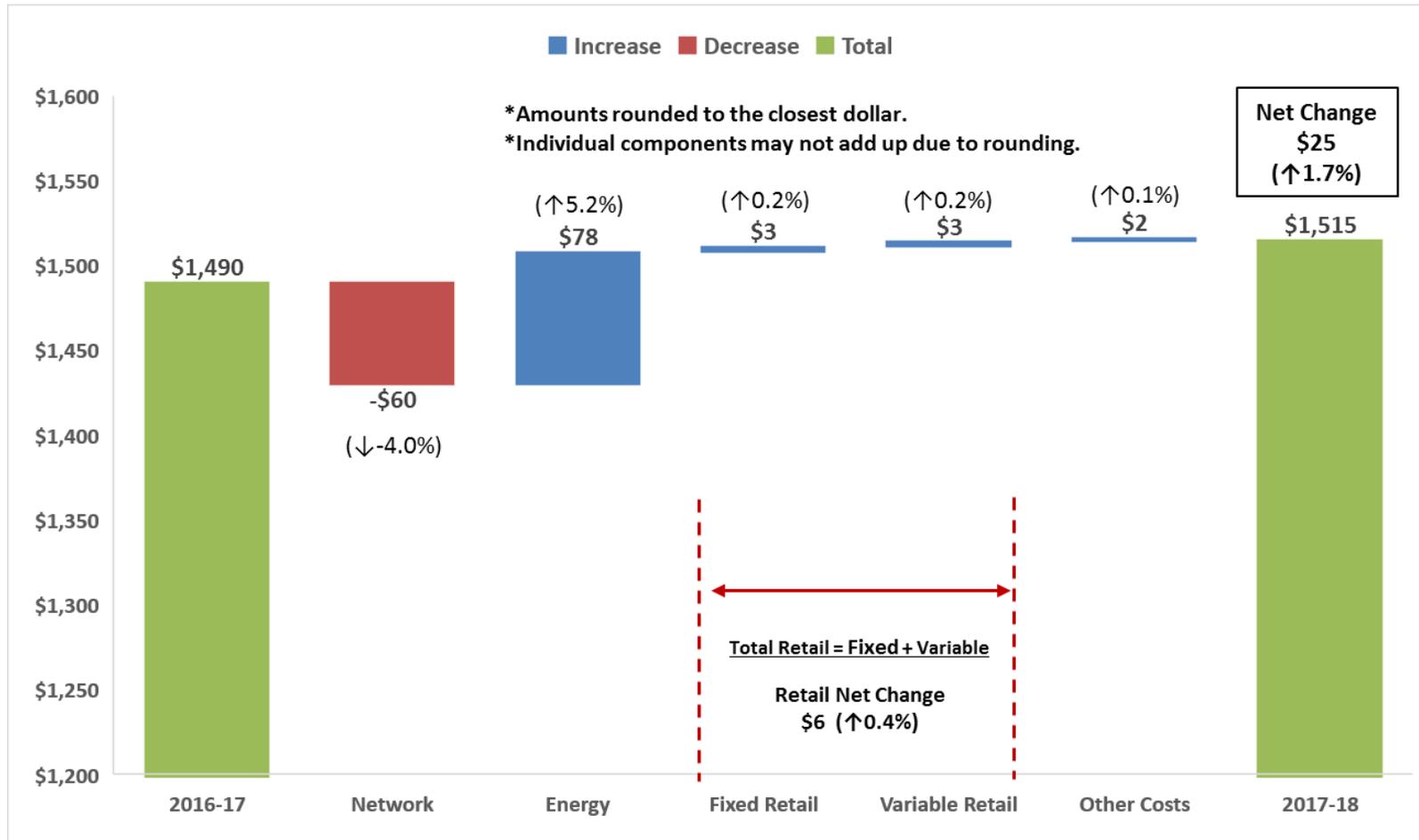
Methodology

- Network costs were based on draft tariffs and prices supplied by distributors
 - Tariffs 12A, 14, 22A and 24 based on Ergon network charges and SEQ (Energex) cost levels
 - Other residential and small business tariffs based on Energex network tariffs
 - Large customer tariffs based on Ergon East zone, Transmission region 1 network tariffs
- Wholesale energy costs were based on forecasts by ACIL Allen, using a hedging, or market-based, approach
- Retail costs were maintained by adjusting fixed components to account for inflation and retaining variable allocators at the same rates as 2016-17.
- Standing offer adjustment for small customers was maintained at 5%
- Headroom was maintained at 5% for large customers

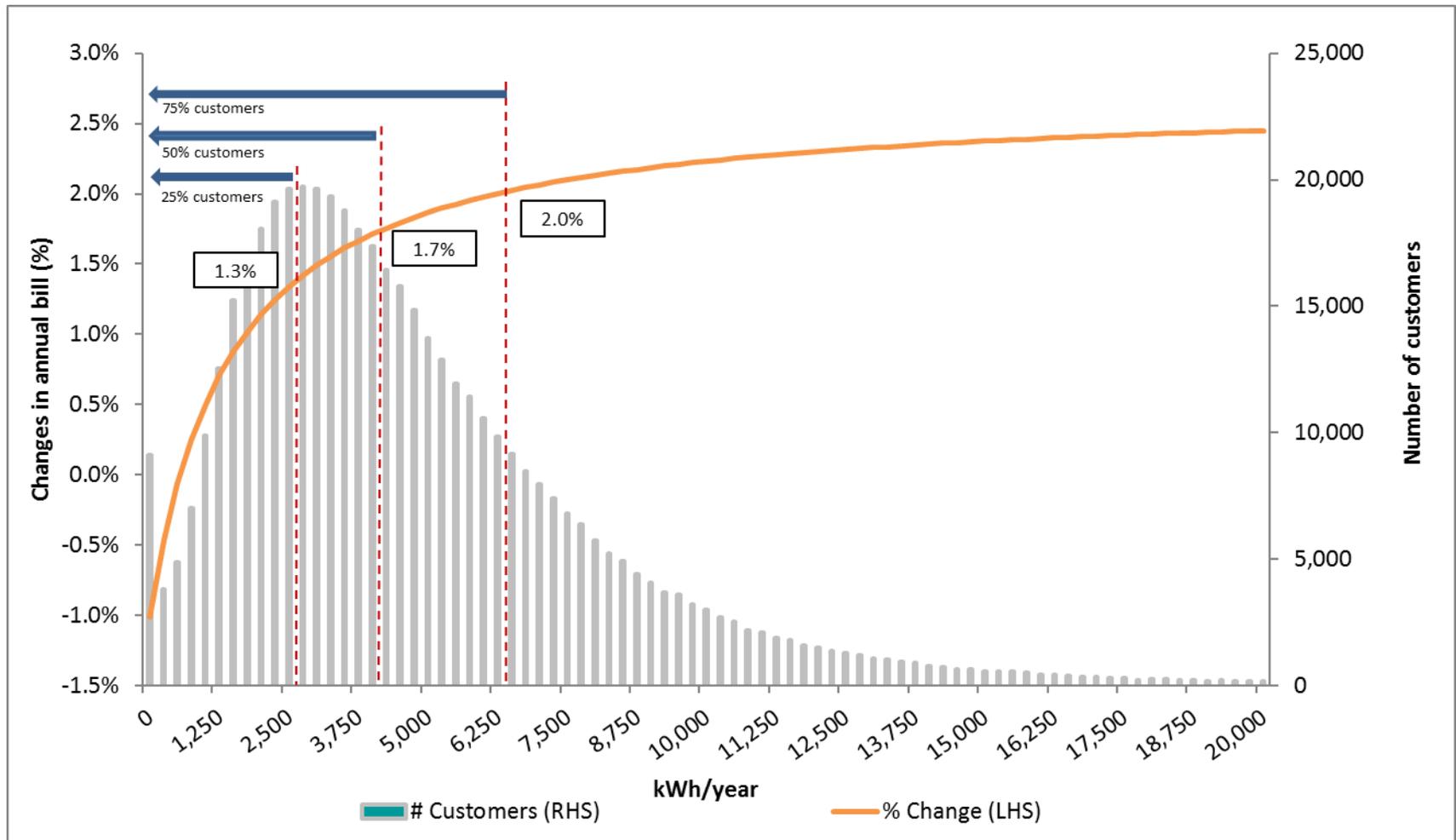
Energy Costs

- Wholesale energy costs are forecast to rise due to rising demand due to the tightening supply-demand balance within the NEM and increasing fuel costs for gas fired power stations.
 - Higher demand associated with LNG production
 - Increase in peakiness of small customer loads
 - Limited investment in new generators
 - Closure of Hazelwood power station in Victoria is having an effect across the NEM
- RET costs have increased as based on the latest forecasts there will be a shortage of certificates in 2018

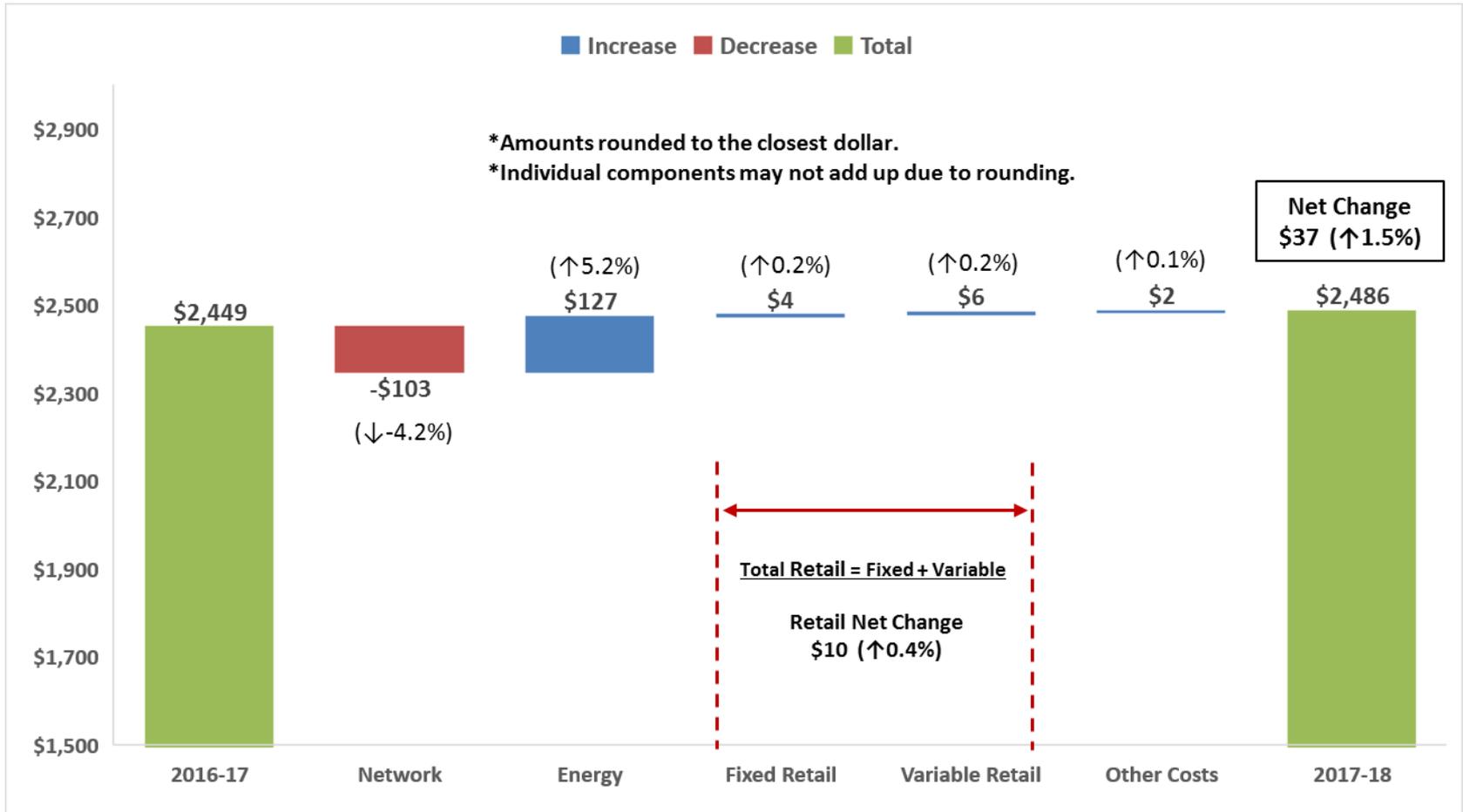
Cost drivers for residential customers



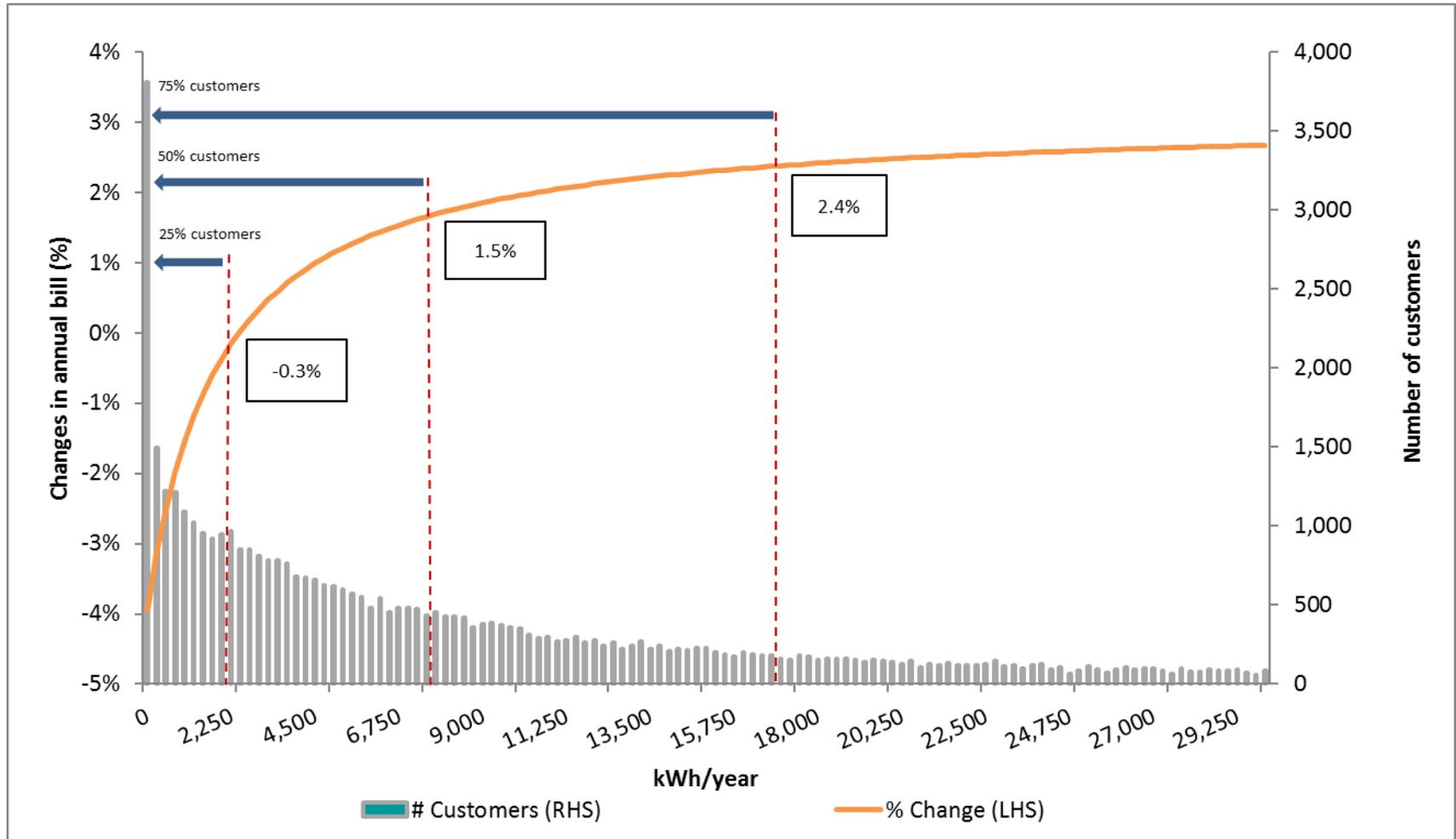
Bill impacts for tariff 11 customers



Cost drivers for small business customers



Bill impacts for tariff 20 customers



New high voltage tariffs

- From 1 July 2017, Ergon Distribution will discontinue the high voltage network tariff the QCA used to set tariffs 47 and 48
- Propose to introduce new high voltage tariffs 51A-D, 52A-C and 53 based on Ergon network tariffs. In addition to fixed and usage charges these tariffs feature:
 - Capacity charge
 - Demand charge
 - Excess reactive power charge
- Ergon Retail modelled the potential bill impacts of premises on tariff 47 and 48 changing to these new tariffs. The impact for the majority of premises is predicted to be 10% or less
- A number of premises can reduce this impact by renegotiating authorised demand
- Ergon Retail has further information
- Propose a five-year transitional period for tariffs 47 and 48 for existing customers only

Transitional and obsolete tariffs

- Maintain transitional arrangements and transitional periods for tariffs 20 (large), 21, 22 (small and large), 37, 62, 65 and 66 and allow all customers to access these tariffs
- Adjust all transitional and obsolete tariffs in line with changes in standard business tariffs, and apply escalation factors to limit charges for transitional and obsolete tariffs falling further below cost in dollar terms

Tariff	Change	Tariff	Change
Tariffs 65 and 66	1.7%	Tariff 47	2.6%
Tariff 62	1.9%	Tariffs 20, 22 and 37	2.9%
Tariff 21	2.3%	Tariff 48	5.2%

Next steps

- Submissions are due by 3 April 2017
- online submission form at www.qca.org.au/submissions
- QCA will consider submissions
- Update draft estimates with the latest data
- Final determination released by 31 May 2017

Queensland Competition Authority

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Submissions

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Questions?

