



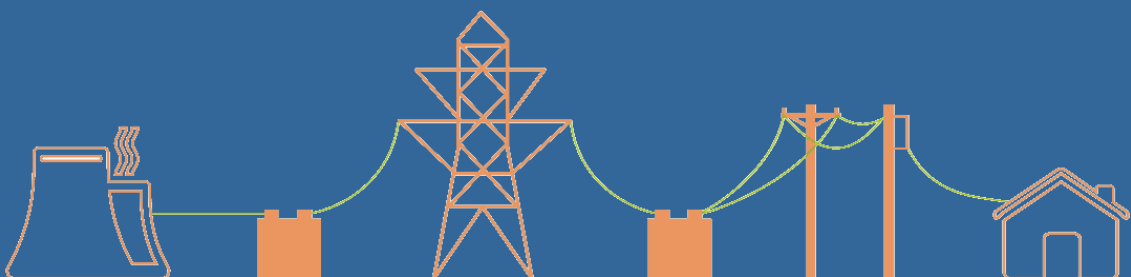
Information booklet

Regulated retail electricity prices for 2021–22

Applies to customers in regional Queensland

Interim consultation paper

January 2021



Overview

What is the QCA's role in setting electricity prices?

The Queensland Government has asked us to set regulated electricity prices (**notified prices**) for regional customers to apply from 1 July 2021 to 30 June 2022.

About this booklet

This booklet gives an overview of the price setting process and key issues for setting notified prices this year.

It is not a substitute for, and should be **read in conjunction with, our interim consultation paper (ICP)**.

What is our approach to determining notified prices?

Continuing to apply the **Uniform Tariff Policy**

which provides that, **wherever possible**, customers of the same class **should pay no more for their electricity**, and should be able to pay for their electricity via **similar price structures**.

&

Continuing to use the **'N+R' framework**

in which network, energy, retail costs and other adjustments are **individually calculated** to determine prices for each tariff.

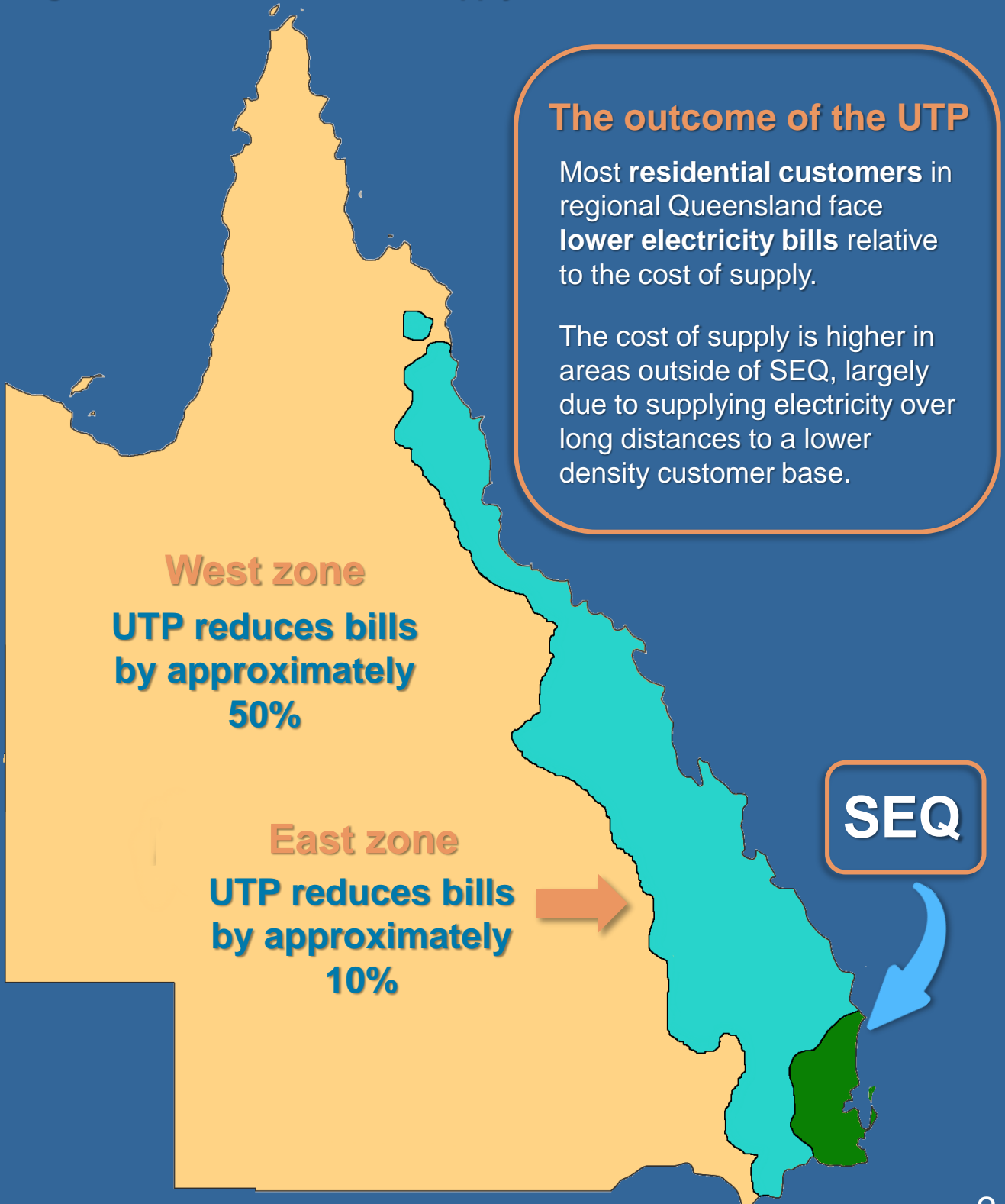
Key dates



How does the UTP impact electricity bills?

What does the UTP mean for regional Queensland?

Regulated prices for **small customers** are typically based on the cost of supply in **SEQ**, and prices for **large customers** are based on the **Ergon region with the lowest cost of supply**.



The outcome of the UTP

Most residential customers in regional Queensland face **lower electricity bills** relative to the cost of supply.

The cost of supply is higher in areas outside of SEQ, largely due to supplying electricity over long distances to a lower density customer base.

SEQ

What makes up my electricity bill?



Retail costs

These include costs for customer services like call centres and administrative tasks (e.g. sending bills).

Energy costs

These include costs to buy electricity from the wholesale market. It also includes the costs to comply with 'green schemes' such as the Renewable Energy Target.



Network costs

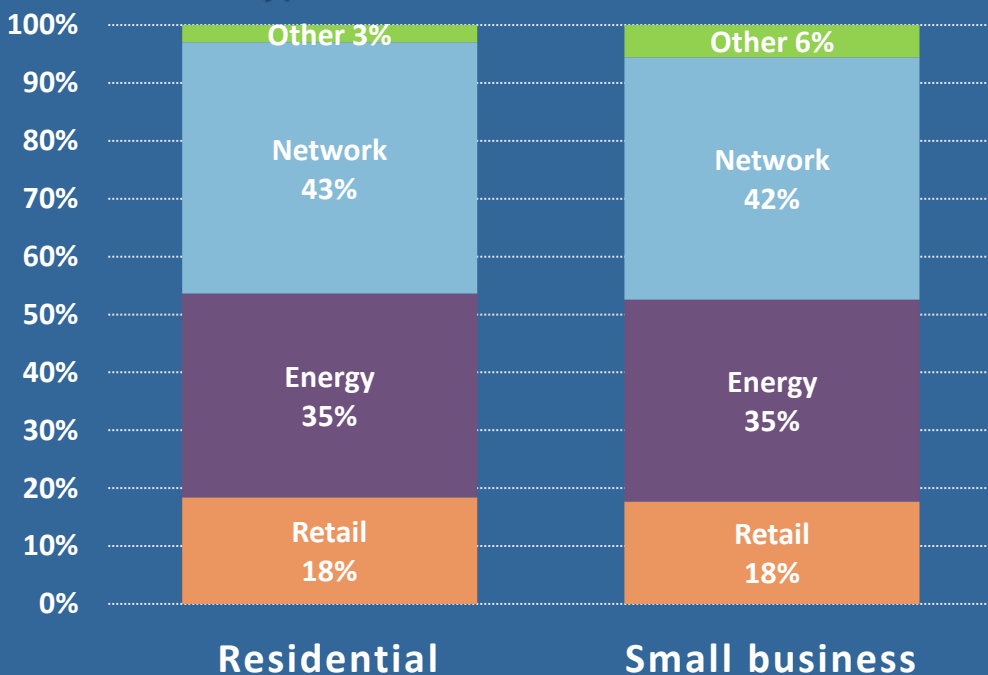
These include costs to transport electricity via the electricity network. It also includes other costs such as the solar bonus scheme.

Other adjustments

These adjustments include matters that we are required to consider under our legal framework.



The chart shows how the components contribute to the bill of a typical customer in 2020–21



Percentage share has been rounded to the closest whole per cent.

The cost build-up components

Our intended approach to the key N+R cost inputs

2020–21

2021–22

N

+

R

Network costs

We used the underlying network tariffs approved by the AER as the basis for building-up notified prices.*

We will have regard to using the same approach as last year.

Energy costs

We have engaged ACIL Allen to assist us in estimating energy costs using a market-based approach.

We will have regard to using the same approach as last year.

Retail costs

We used the 2016–17 benchmark retail costs, adjusted for inflation.

We will consider an approach that updates the existing benchmark costs.

Other costs

- We applied a 5% standing offer adjustment for small customer tariffs
- We did not include a headroom adjustment for large customer tariffs

We will have regard to using the same approach as last year.

*Price indexation was used for tariffs 12A, 14, 22A and 24, which have no underlying network tariff.

What are the key issues for 2021–22?

The Minister has asked us to consider introducing new tariffs and other pricing-related matters.

New tariffs

Two new standard retail tariffs

We need to consider introducing two new opt-in tariffs for small business and residential customers consuming more than 100 MWh a year with basic metering.

However, we are to not make the residential tariff unless we consider it satisfies a need at the retail level.

Three replacement transitional tariffs

We have been asked to introduce 3 new retail tariffs based on network tariffs that mirror obsolete tariffs 62, 65 and 66.

Customer eligibility arrangements will be based on those approved by the AER. However, we will consider not applying the AER's geographic limits (allowing access to otherwise eligible customers across the Ergon network area).

Pricing-related matters

Review of retail cost benchmarks

We have been asked to review and update retail operating costs as used in the N+R framework.

Default market offer (DMO)

To maintain price relativity, where one or more tariffs exceed the equivalent DMO reference bill and are adjusted, we are also to consider if we should discount other tariffs within the same customer class that are not subject to comparison with the DMO.

Setting small-customer digital metering charges

We have been asked to set small-customer advanced digital metering charges in the Ergon Distribution area at the Energex rate for standard type 6 meters.

What are the key issues for 2021–22?

The Minister has asked us to consider amendments to the terms and conditions contained in the tariff schedule.

Removing retailer discretion

We are to consider removing the retailer discretion allowing residential customers to access tariff 33 as a primary tariff and set a sunset date by which all existing customers accessing tariff 33 as a primary tariff must be moved to a non-interruptible supply primary tariff.

Threshold definitions for CAC and ICC users

We have been asked to update the threshold amounts in the definitions of Connection Asset Customer and Individually Calculated Customer to generally reflect the equivalent network tariff thresholds.

Supply voltage discounts

We are to consider the ongoing appropriateness of the discounts applied where supply is given or metered at high voltage and the tariff applied is not a designated high voltage tariff.

Phase out kW pricing for large customers

We are to consider removing the expired transitional charging arrangement allowing some large customers with advanced digital metering the choice to be charged under a kW or KVA demand charge—and retain kVA only pricing, unless the customer has a type 6 meter.

Removing service provider discretions

We have been asked to remove any remaining references in the tariff schedule to retailer, distributor, metering and other service provider discretions, as far as is practicable.

Consultation



The interim consultation paper is the first step in our process.

We ask stakeholders to consider the 13 consultation questions.

We invite stakeholders to provide submissions on issues raised in the ICP, or any other matters considered relevant to our price determination.

**Stakeholder submissions on the ICP are due
by 5 February 2020.**

Information on making a submission is available on our [website](#).

We seek stakeholders' comments on:

1

the key issues we have identified about our approach to setting notified prices, as well as any other matters considered relevant.

2

the key issues we have identified about setting 3 new retail tariffs based on transitional network tariffs that mirror obsolete tariffs 62, 65 and 66, as well as any other matters considered relevant.

3

the introduction of new retail tariffs based on two new network tariffs, particularly on whether there is a need for us to introduce a new retail tariff based on the residential network tariff.

4

our approach to setting small-customer advanced digital metering charges.

5

Any network tariff requirements:

- not currently reflected in the tariff schedule
- in the tariff schedule, but are not reasonable and practical from a retail perspective (and should be removed).

Continued on the next page

Consultation cont.

We seek stakeholders' comments on:

6

any issues they consider may arise from removing service provider discretions from the tariff schedule.

7

whether the inclusion of the voltage discount provision remains appropriate in the tariff schedule.

8

whether there would be any issues with updating the thresholds in the tariff schedule to generally reflect the equivalent network tariff thresholds.

9

the key issues we have identified for setting the N component, as well as on any other matters considered relevant.

10

our approach to estimating energy costs, as well as any other matters considered relevant.

11

our approach for estimating retail costs, particularly on the methodology set out in ACIL Allen's report.

12

the key issues raised in relation to the standing offer adjustment and DMO considerations, including potential approaches that may be appropriate in circumstances where a further adjustment is required.

13

the headroom allowance, including whether the approach of not including a headroom allowance remains appropriate this year.
