

Information booklet

Regulated retail electricity prices for 2022–23

Applying to customers in regional Queensland

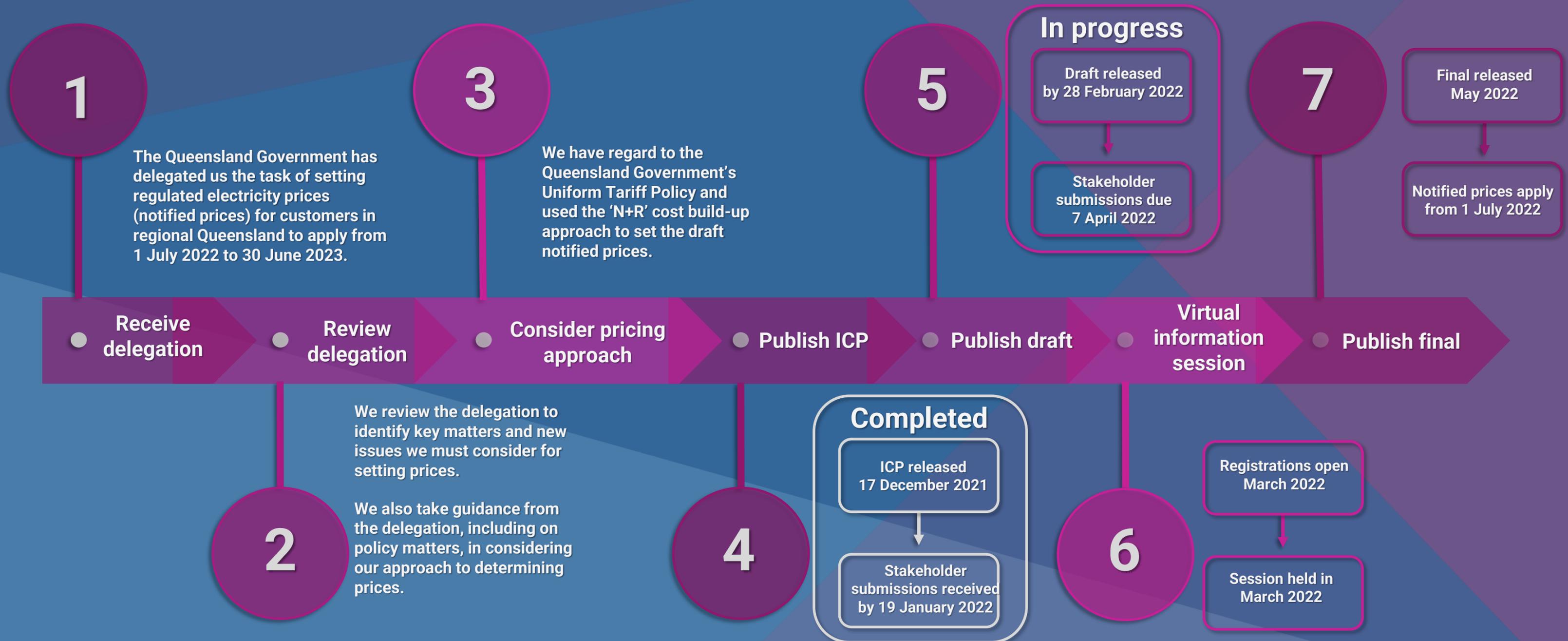
Draft determination

February 2022



How do we set electricity prices?

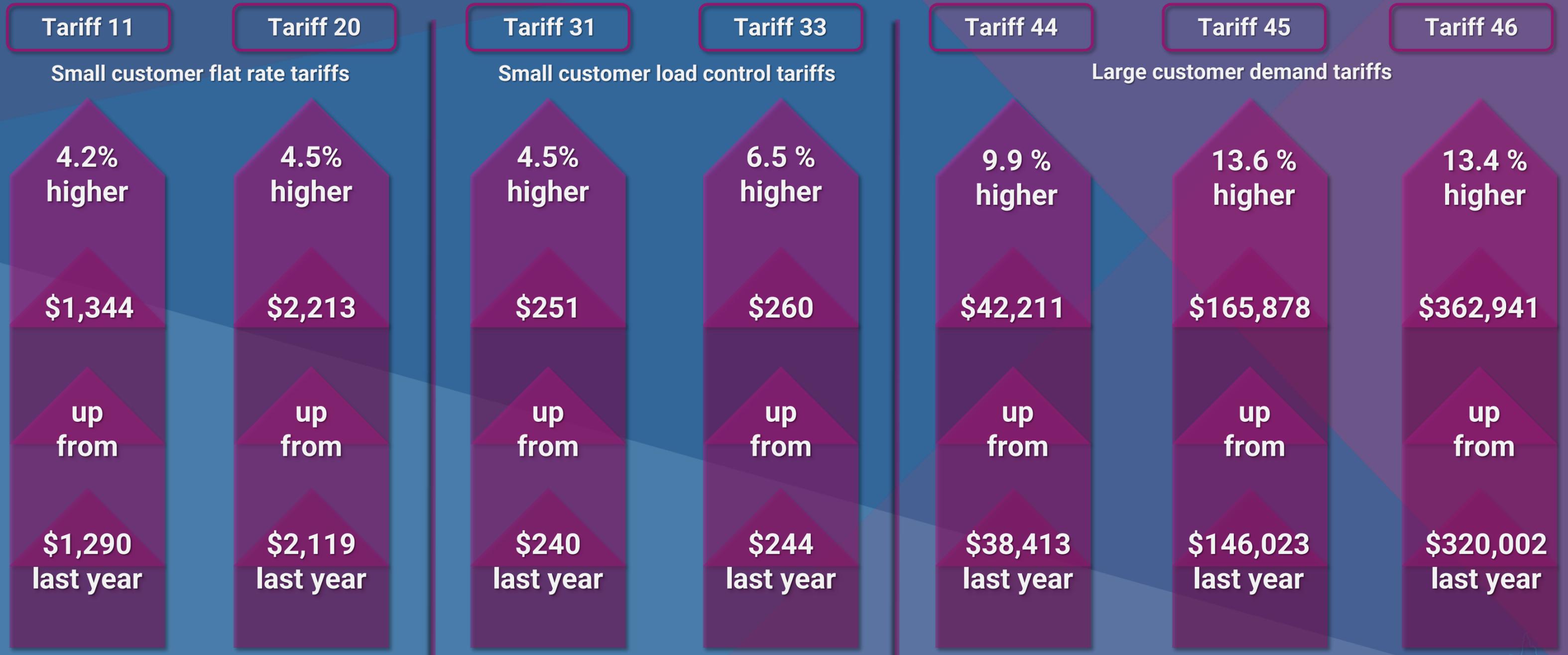
Our process is described below, as well as an indicative timeline for this review.



This booklet is not a substitute for, and should be read in conjunction with, our draft determination.

What does the draft determination mean for my bills?

Small and large customer bills are expected to increase, mainly due to a projected increase in energy costs this year.



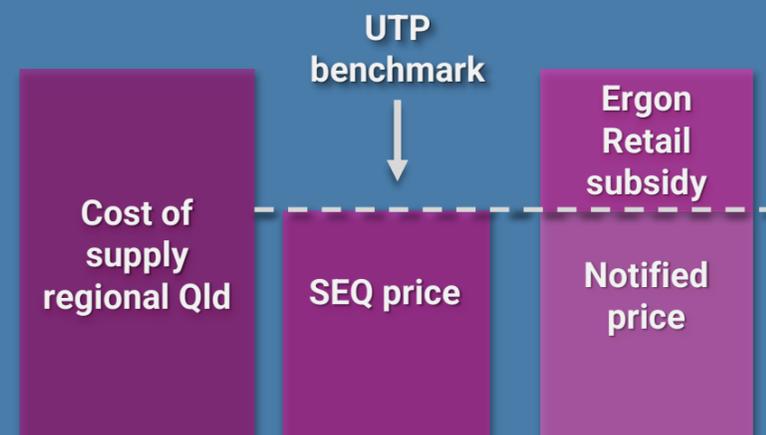
Bill values are calculated based on median usage data for each tariff and include GST.

What is our pricing approach?

The Minister asked us to consider using a framework and pricing approach similar to past determinations.

Applying the government's **Uniform Tariff Policy**

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



&

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

... which **individually calculates** network, energy, retail and 'other' costs to set prices for each tariff



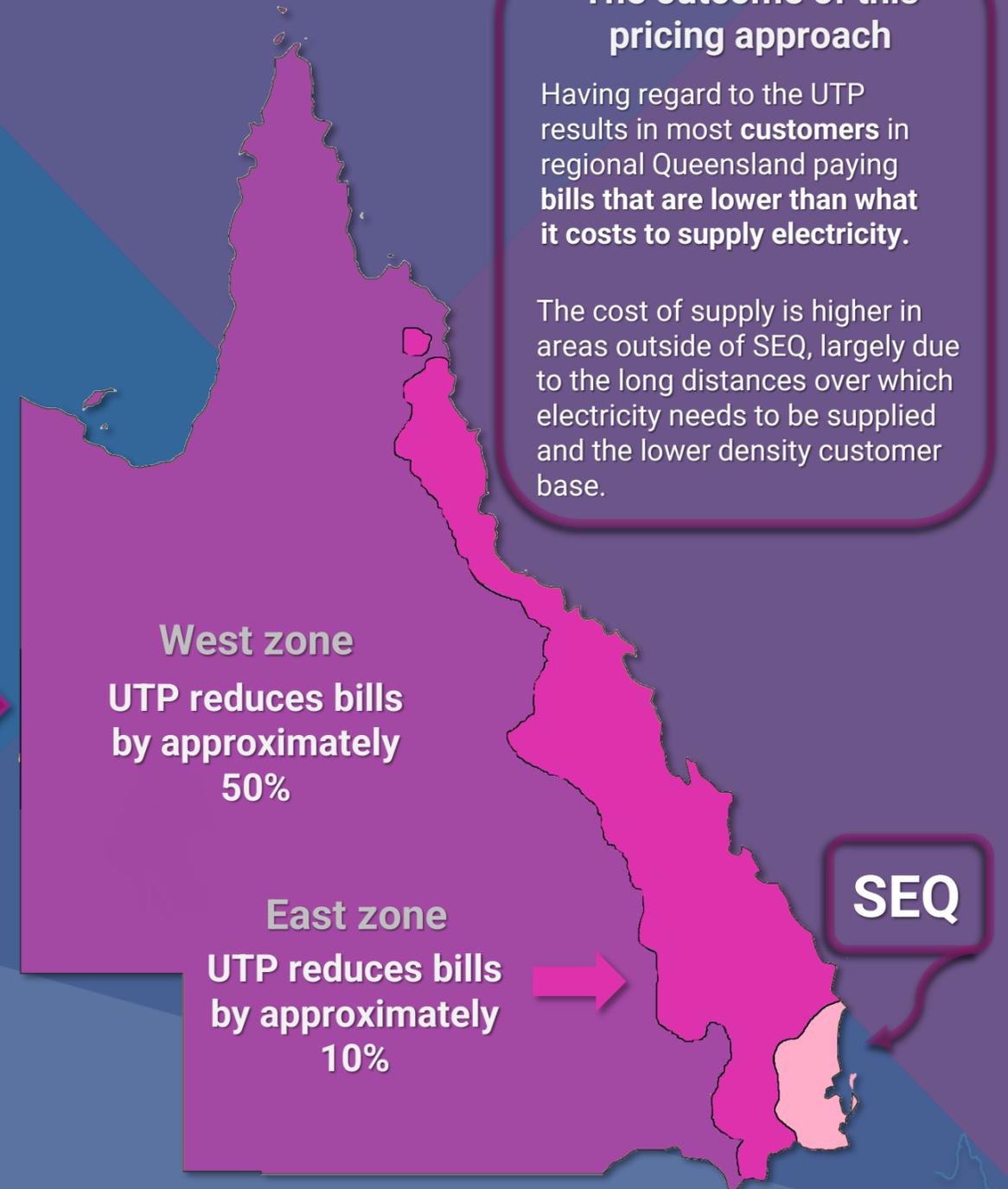
Passing through
AER-approved
network prices

Energy and retail
costs determined
by us



West zone
UTP reduces bills
by approximately
50%

East zone
UTP reduces bills
by approximately
10%



The outcome of this pricing approach

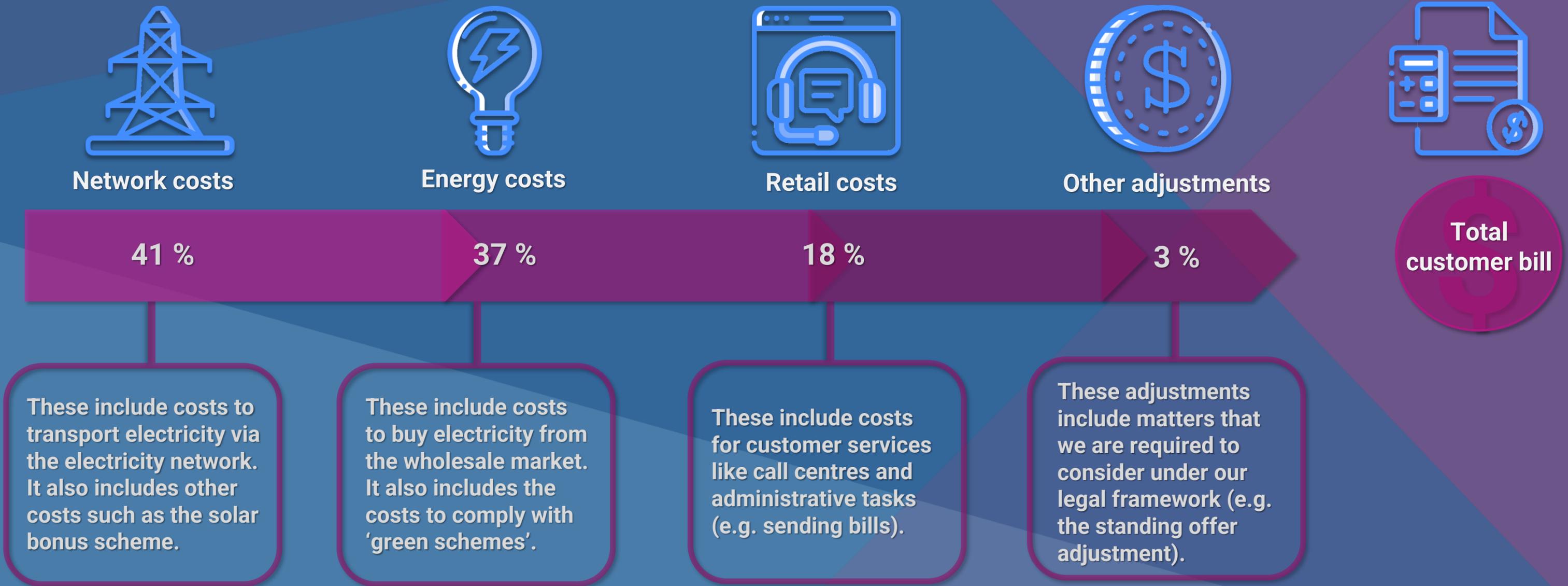
Having regard to the UTP results in most **customers** in regional Queensland paying **bills that are lower than what it costs to supply electricity**.

The cost of supply is higher in areas outside of SEQ, largely due to the long distances over which electricity needs to be supplied and the lower density customer base.

What makes up my electricity bill?

Electricity bills are made up of 4 primary cost components.

These components contribute to customer bills in different ways.



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

How did we determine draft prices this year?

Using the N+R methodology, we have set each cost component of prices based on the following inputs.



Small customers

We maintained 2021–22 variable retail cost allowances and adjusted 2021–22 fixed allowances for inflation.

We engaged ACIL Allen to assist us in estimating energy costs in the Energex distribution network, using a market-based approach.

- We applied a 3.7% standing offer adjustment.
- We passed through savings associated with the over-recovery of SRES costs last year.*

We used the underlying Energex small customer network tariffs approved by the Australian Energy Regulator as the basis for building-up notified prices.



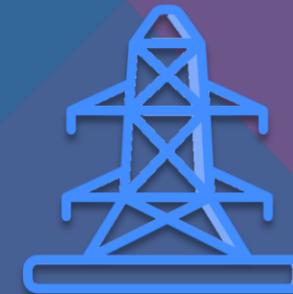
Retail costs



Energy costs



Other adjustments



Network costs



Large customers

We maintained 2016-17 variable retail cost allowances and adjusted 2021–22 fixed allowances for inflation.

We engaged ACIL Allen to assist us in estimating energy costs in the lowest cost Ergon distribution zone, using a market-based approach.

We passed through savings associated with the over-recovery of SRES costs last year.*

We used the underlying Ergon large customer network tariffs approved by the Australian Energy Regulator as the basis for building-up notified prices.

*SRES is the small-scale renewable energy scheme

A new issue for 2022–23

Tariff rationalisation

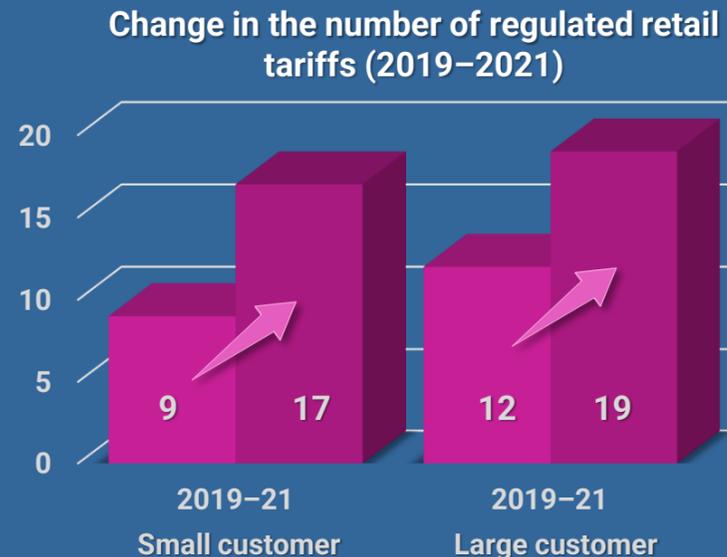
For this review, the Minister asked us to rationalise the tariff schedule. This involves reviewing the current suite of regulated retail tariffs and identifying any that could be removed.

How do network tariffs impact retail tariffs?

Australian Energy Regulator approved network tariffs are generally used as the basis for the regulated retail tariffs we set under notified prices.

Between 2019 and 2021, a number of new network tariffs were introduced as part of the network tariff reforms. We used these as the basis for setting a number of new retail tariffs, while also maintaining the existing standard retail tariffs.

This has resulted in a substantial increase in the number of retail tariffs available to customers.



What is the problem with the current number of tariffs?



Confusing

Choosing from a large number of tariffs can be confusing, particularly where there are multiple tariffs of the same type.



Legacy tariffs

A number of existing retail tariffs no longer have an underlying network tariff. They also have peak pricing periods that are not consistent with newer tariffs.



Low uptake

Some of the retail tariffs have few customers on them.

What are we doing about it?

We propose to remove 7 tariffs from the tariff schedule.



TOU refers to a time of use tariff.

- We propose to set a 12-month phase-out period for small customer tariffs and remove tariff 20A from 1 July 2022.
- The tariff 50 phase-out date will be aligned with the network tariff phase-out date.
- Customers on obsolete tariffs can continue to access their tariff until it is phased out.

This decision is based on considering issues such as:



Compliance with the UTP



The existence of an underlying network tariff



Maintaining access to varied tariff options

Consultation and next steps

The draft determination is the second step in our process.

Submissions



We ask stakeholders to consider issues discussed in our draft determination.

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

Stakeholder submissions on the draft are due by 7 April.
Information on making a submission is available on our [website](#).

Virtual information session



To inform stakeholders about our draft determination, we plan to hold a virtual information session.

Subscribe to our [email alerts](#), to keep up to date with the latest developments (including login details for the session and when it will be held).

The information session will be held in March 2021.
Information on how to attend will be provided via our electricity email alerts.