

Regulated retail electricity prices for regional Queensland in 2024-25

**Information session on
draft determination**

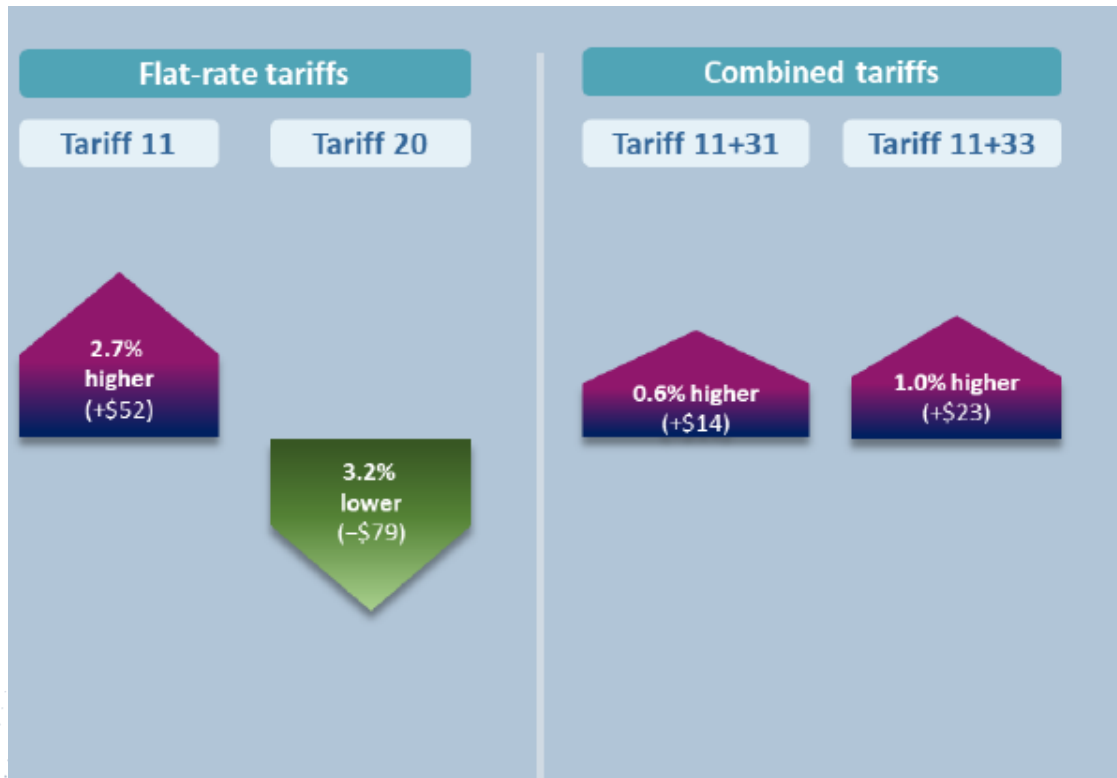
Welcome and objectives

At today's information session, we want to:

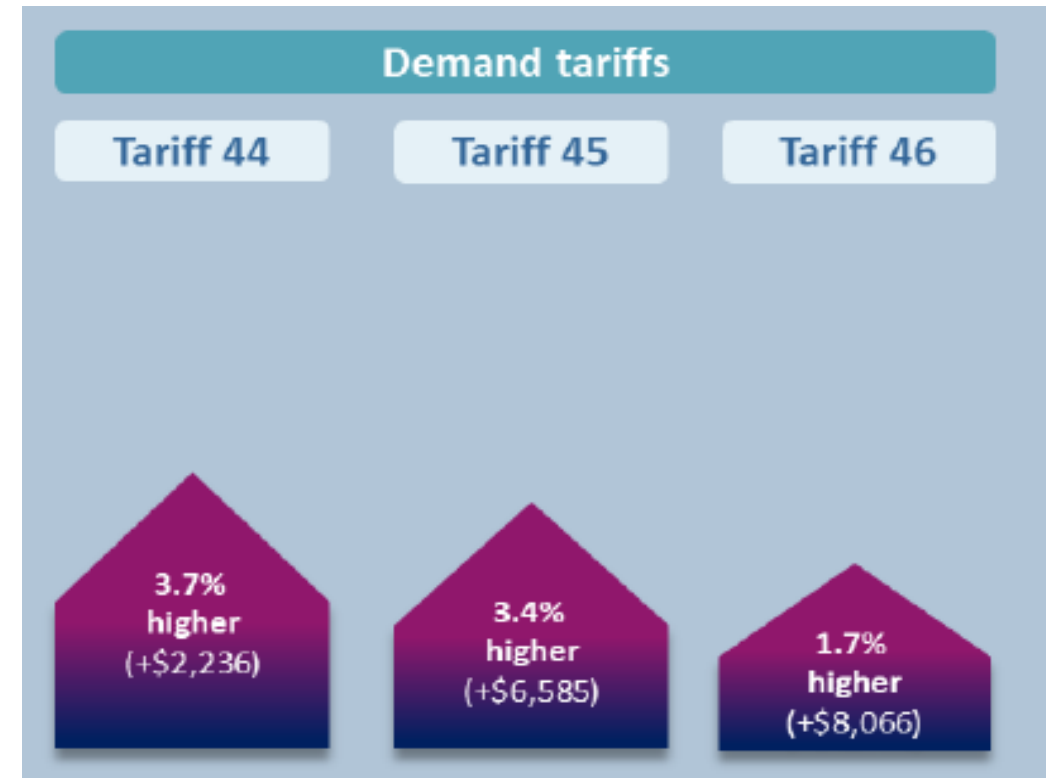
- inform stakeholders of key aspects of the QCA's draft determination, including the:
 - estimated impact of draft prices on typical customers' bills
 - factors the QCA considers when making the price determination
- provide information to help stakeholders with their submissions
- answer questions you have about the QCA's draft determination.

Overview of draft prices / customer impacts

Small customers



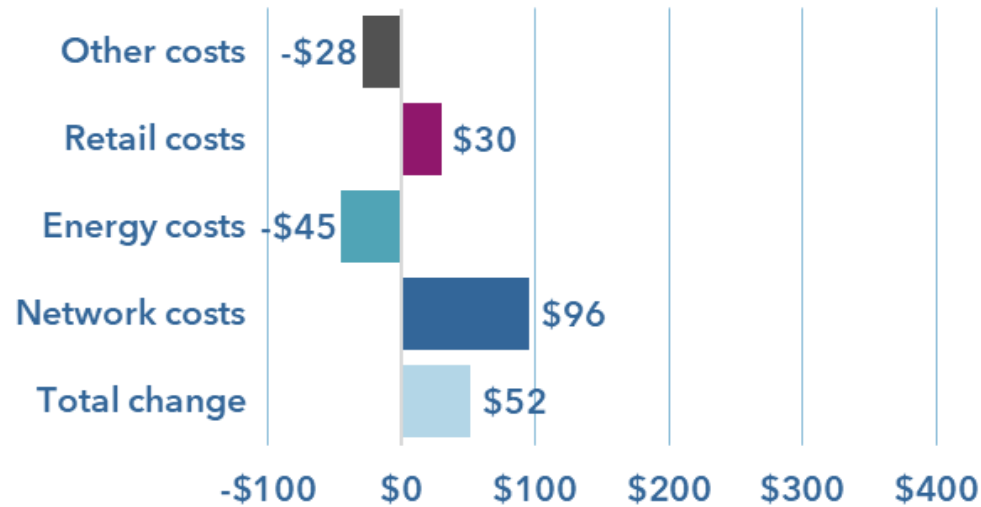
Large customers



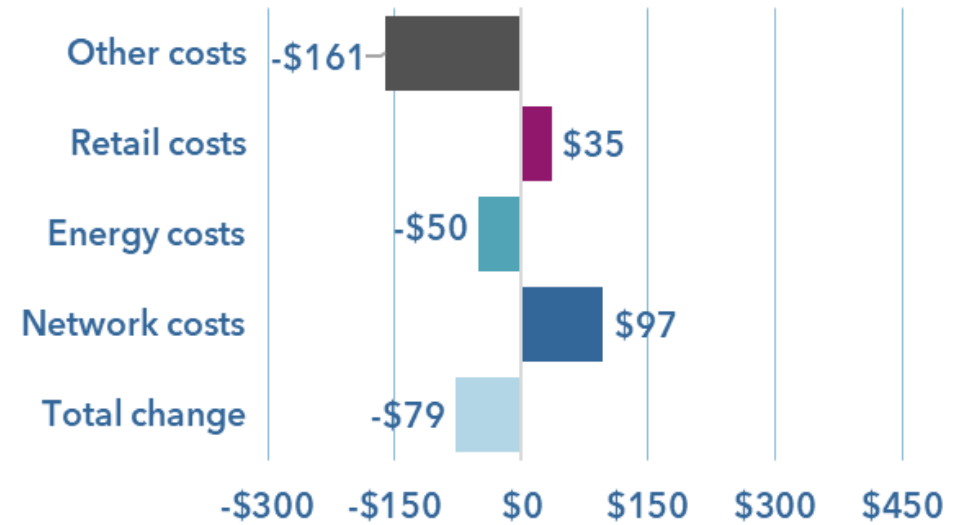
- Small customer notified prices have been reduced to align with the draft default market offer (DMO) set by the AER for SEQ.
- Bill impacts are indicative only - a customer's actual bill will vary based on their consumption and the application of any government rebates or concessions.

Cost drivers

Change in individual cost components (T11)



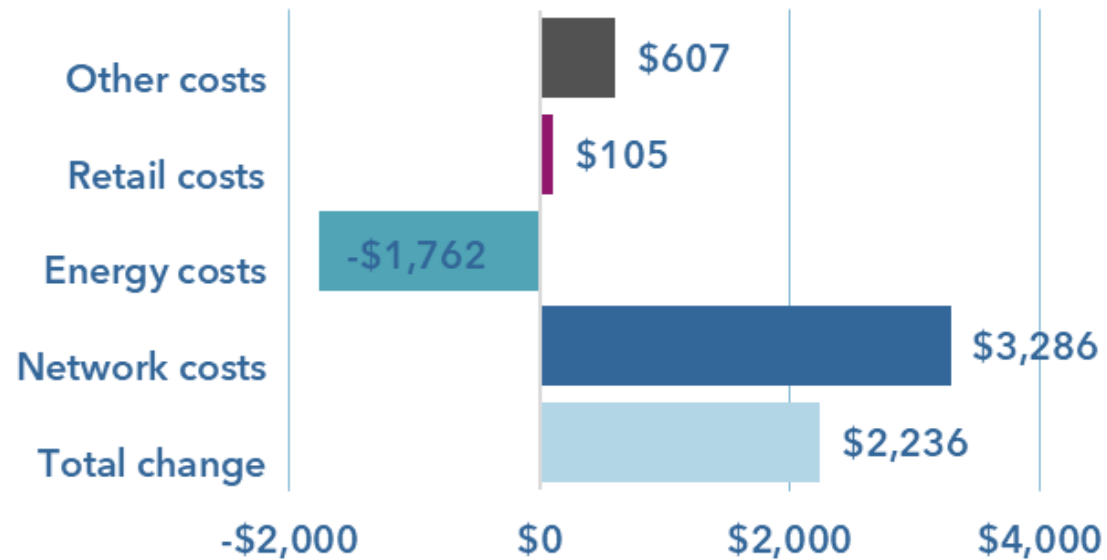
Change in individual cost components (T20)



- Changes in cost components based on an indicative bill
- Other costs include SRES and the standing offer adjustment (which is negative this year – DMO comparison discussed later)

Cost drivers cont.

Change in individual cost components (T44)



- Changes in cost components based on an indicative bill

Overarching framework

The overarching framework for setting notified prices requires us to consider matters in the Electricity Act and the Minister's delegation, which include:

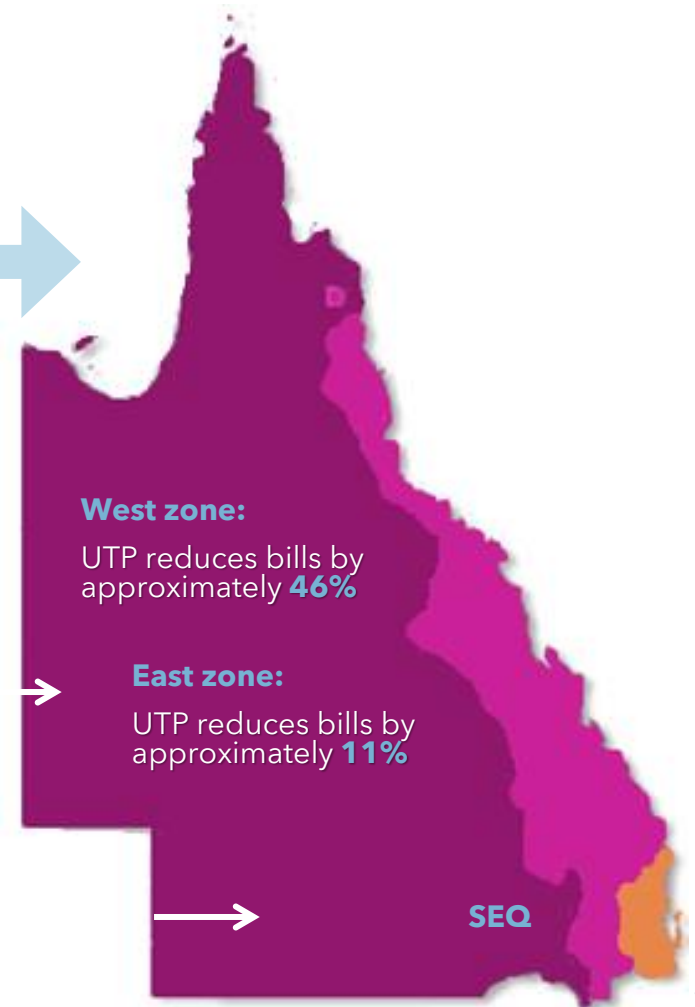
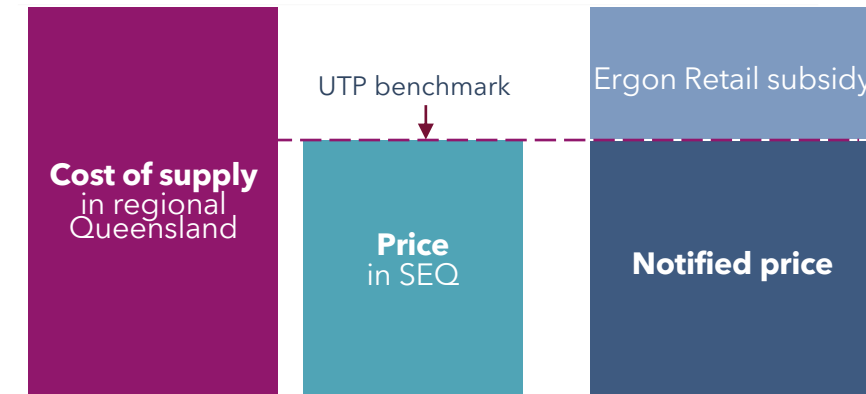
- costs of supplying the service
- using the **network plus retail (N+R) framework**
- continuing to apply the government's **uniform tariff policy (UTP)**

Uniform tariff policy

The UTP is a Queensland Government policy to help customers in regional Queensland.

The UTP allows us to **set notified prices** for most customers at a level **lower than the actual cost of supply**.

The Queensland Government covers the cost difference via a **community service obligation subsidy** to Ergon Retail (around \$537 million in 2023-24).



N+R cost build-up methodology

There are four primary cost components in our cost build-up methodology, which determine the prices.



R component - Retail costs – include costs for customer services like call centres and administrative tasks (e.g. sending bills), and metering services



R Component - Energy costs – include costs to buy electricity from the wholesale market and the costs to comply with environmental schemes



N Component - Network costs – include costs to transport electricity via the electricity network and other costs such as the solar bonus scheme



Other costs – includes the cost pass-through associated with the small-scale renewable energy scheme and the standing offer adjustment (SOA) for small customers

Network costs

Network costs are the costs of transporting electricity through transmission and distribution networks. These are approved by the Australian Energy Regulator.

We pass through network prices into retail tariffs as follows:

For small customer standard retail tariffs	For large customer standard retail tariffs
Based on Energex (SEQ) network prices	Based on network prices in Ergon's lowest cost region connected to the NEM

Based on Energy Queensland's network prices, network costs are expected to increase for all customer groups:

Tariff 11 +\$96 or 15.7%	Tariff 20 +\$97 or 12.7%	Tariff 44 +\$3286 or 10.9%
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The AER approved network prices are used in the draft and are not likely to change for the final determination.

Energy costs

The main component of energy costs is wholesale energy costs. These are the costs retailers incur when they purchase electricity for their customers through the national electricity market (NEM).

Retailers use hedging strategies to manage risk when purchasing from the NEM.

Our estimates

- use a market-based approach that simulates the NEM from a retailer's perspective
- are based on ASX energy futures contract prices, as these are publicly available
- use ASX data until 12 February 2024.

Energy costs are expected to decrease for all customer groups:

Tariff 11 -\$45 or -4.5%	Tariff 20 -\$50 or -4.5%	Tariff 44 -\$1762 or -6.7%
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Energy costs may change as we will use additional contract data in our final determination.

Retail costs

Retail costs are the costs of running a retail electricity business, including customer services, billing and administrative tasks.

Since 2023-24, retail costs for small customers include metering costs, including the costs for standard and digital meters (in line with the roll-out of digital meters in Qld).

Our estimates

- We use an established retail cost benchmark (based on competitive market costs)
- we use AER metering costs (for standard and digital meters).

Retail costs are expected to increase for all customer groups:

Tariff 11 +\$30 or 9.3%	Tariff 20 +\$35 or 6.1%	Tariff 44 +\$105 or 2.5%
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DMO cap for small customers

The standing offer adjustment (SOA) is intended to reflect the value of more favourable terms and conditions in standard contracts relative to market contracts. It applies to small customer tariffs.

We calculate the SOA based on an assessment of additional fees that SEQ customers on market offers could incur annually (that are not reflected in standard contracts).

We calculated a SOA of 3.45%

As required by the Minister's delegation, we have compared notified prices (inclusive of a SOA) with the Australian Energy Regulator's default market offer (DMO) for SEQ.

We have found that the draft notified price bills exceeded the draft DMO reference bills.

As a result, we reduced the value of the SOA for all residential and small business tariffs to between -2.29% and -7.18%

This **lowered** bills for all small customers in regional Queensland (relative to the original SOA of 3.45%).

This adjustment may change in our final determination when we compare notified prices (inclusive of a SOA) against the AER's final DMO

Next steps



Question and answer session

Please keep in mind that this Q&A session is to provide clarification on matters in our draft determination.

We encourage stakeholders to provide written submissions about matters you want the QCA to consider when making the final determination.



**Thank you for participating in today's
information session.**