

## Electricity bills and the carbon tax – updated 24 July 2014

**The QCA sets retail electricity prices for customers who have chosen to stay on regulated tariffs rather than switch to market contracts offered by retailers.**

**Nearly all residential customers outside south east Queensland are on regulated tariffs; about 30% of customers in south east Queensland remain on regulated tariffs.**

The prices set for regulated tariffs reflect the costs involved in supplying electricity to customers. In recent years, one of these costs has been the carbon tax.

On 17 July 2014, the Commonwealth Government repealed the carbon tax with effect from 1 July 2014. This means that regulated prices in 2014–15 will be lower than those determined in the QCA's final price determination released in May 2014.

In preparation for the possible repeal of the carbon tax, the QCA prepared two sets of prices for each regulated tariff in 2014–15. The first set of prices included the carbon tax. A second set of prices without the carbon tax was also produced, which could be applied once the carbon tax was repealed.

After the carbon tax was repealed, the Queensland Minister for Energy and Water Supply determined that the carbon-exclusive retail prices would apply in 2014–15. These prices will be backdated so that they apply from 1 July 2014.

This fact sheet explains the impact of removing the carbon tax and summarises the analysis in our final decision.

### How will my bill be affected?

The typical tariff 11 residential customer can expect to save about \$120 over twelve months compared to the annual bill they would have faced if the carbon tax remained in force. For the typical tariff 11 residential customer, removing the carbon tax will reduce the 2014–15 increase from 13.6% to 5.1%. This means the typical tariff 11 customer will see their 2014–15 bill increase by \$72 rather than \$191 had the carbon tax remained.

However, removing the carbon tax affects only one of the factors driving electricity prices.

Unfortunately, most other costs are rising. As noted in our overview fact sheet, the non-carbon part of wholesale energy costs, solar feed-in tariffs and network

charges account for about 75% of the typical tariff 11 residential bill. In 2014–15, these three factors are expected to increase by a combined 17.2% or \$163. The increase in these costs means that electricity bills for typical customers supplied under most tariffs will still increase even though the carbon tax has been removed.

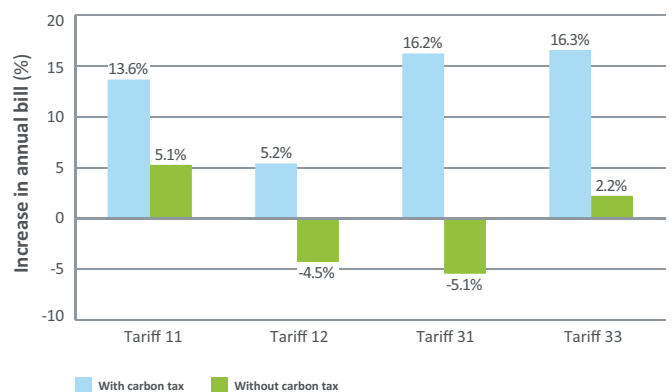
The removal of the carbon tax reduces the variable or consumption component of regulated prices, because it was a cost incurred by retailers based on the amount of electricity consumed. The fixed charge component is unchanged for all tariffs with the exception of transitional and obsolete tariffs, which are adjusted on a different basis.

The final decision explains the impact on typical residential and business customers of removing the carbon tax. The impact on individual customers will vary depending on their consumption.

*For more information on prices for 2014–15, please see our household, business and transitional tariff fact sheets.*

Most residential customers on tariff 11 also use an off-peak tariff (tariffs 31 and 33). These tariffs do not include a fixed service charge (paid as part of tariff 11 by the customer) and therefore tariff 31 will actually decrease with removal of the carbon tax, while the increase in tariff 33 will be much lower. The typical customer on tariff 33, for example, can expect a saving over 12 months of around \$56 compared to their annual bill had the carbon tax remained.

### Change in electricity bills in 2014–15 for typical residential customers

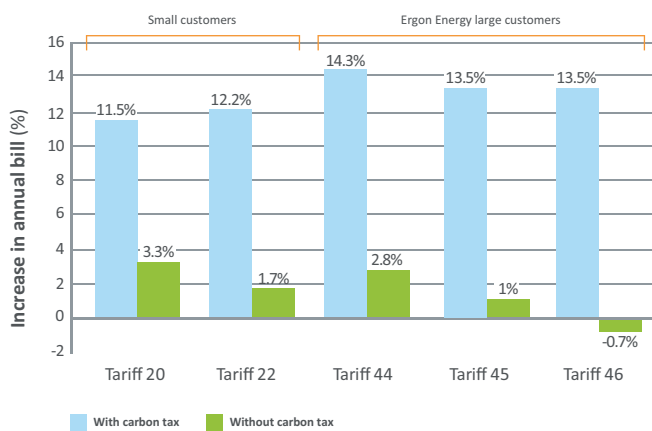


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## Business customers

Business customers can expect similar changes in their annual bills. Most small businesses are supplied under tariff 20: their bills would increase by 3.3% with the carbon tax removed, rather than 11.5% had the carbon tax remained. Removing the carbon tax will save the typical small business on tariff 20 around \$156 during 2014–15.

**Change in electricity bills in 2014–15 for typical business customers**



## Transitional customers

Customers on transitional tariffs will also face lower price increases with the removal of the carbon tax. However, a minimum percentage increase of 10% will apply to these tariffs in 2014–15 to contain the significant public subsidy paid to these customers. This minimum increase will reduce the benefit of removing the carbon tax.

**Change in electricity bills in 2014–15 for customers on transitional tariffs**

