

Transitional arrangements for regulated electricity prices from 1 July 2013

The Queensland Government has capped the increase in regulated electricity prices for 2013–14 at 10% for nine 'transitional' business tariffs.

Three little-used tariffs will be removed, affecting only 170 customers.

The QCA's decision to retain each of these tariffs is presented in the table below. The Government has decided to cap the prices below the levels recommended by the QCA to soften the impact of higher prices on regional businesses.

Regional customers, including businesses, benefit from the Uniform Tariff Policy which ensures that customers pay the same tariffs as customers in south east Queensland. In 2013–14, this assistance is expected to cost \$620 million.

Prices will rise but continue to be low

More than 38,000 customers use the nine transitional tariffs. These tariffs have been closed to new customers since at least July 2012: some tariffs were closed in 1995 and 2007.

Prices under these tariffs do not cover the actual costs of supply. Prices are lower than the cost-reflective prices paid by other regional businesses on tariffs 20, 22, 44, 45, 46, 47 and 48.

The gap between the transitional tariffs and cost-reflective business tariffs will, in most cases, grow larger with the tariff increases announced for 2013–14. The bill increases for customers on cost-reflective tariffs will be greater than for customers on transitional tariffs. Prices under the nine tariffs will continue to be lower than the prices set for the cost-reflective tariffs.

For example, in 2013–14, the off-peak rate for tariff 62 will be 13 cents/kWh compared to 19 cents/kWh for tariff 22. Service charges for tariffs 62, 65 and 37 will still be half or less of the service charge for tariffs 20 and 22.

For most customers, the increases will not bring the tariffs any closer to being cost-reflective in dollar terms. This means that increases in future years will need to be higher to ensure that the cost of the subsidy does not blow out.

A longer transition to cost reflective prices

In 2012, the QCA proposed that all tariffs should be phased out by 1 July 2013.

After extensive consultation with the affected businesses, the QCA now believes that the tariffs should be phased out by 2020. The QCA recognises the difficulty many businesses, especially large users of electricity, would face in an early move to cost-reflective prices.

Providing nearly all customers with this long transition will allow them to recoup the costs of their investments and plan their adjustment.

Three little-used tariffs (53, 63 and 64) will be removed on 1 July 2013. Two more tariffs (41, 43) will be removed in July 2015.

In both cases, few customers will be affected (170 and 770 respectively). Some customers would benefit from moving now to the main business tariffs. Others face higher costs but much less so than customers on other transitional tariffs. Customers on tariffs 53, 63 and 64 can choose to move to another transitional tariff or a cost-reflective tariff. They should contact their retailer for assistance in choosing a new tariff.

The main transitional tariffs will be phased out on 1 July 2020. The QCA will increase these tariffs each year after 2013–14 to keep pace with rising costs (as is done with all other tariffs). The QCA may make additional increases where necessary to contain the cost of the subsidy received by customers on these tariffs.

The QCA has also changed its position to propose that new customers be allowed to access transitional tariffs, with the exceptions of tariff 37 (closed in 2007) and tariffs 41 and 43 (due to close in 2015).

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Proposed transitional arrangements from 1 July 2013

Obsolete/ Transitional Tariff	Retain or Remove in 2013–14	Period to be Retained	Increase 2013–14
Tariff 21 – transitional	Retain	7 years	10%
Tariff 37 – obsolete	Retain	7 years	10%
Tariff 62 – transitional	Retain	7 years	10%
Tariff 63	Remove	N/A	N/A
Tariff 64	Remove	N/A	N/A
Tariff 65– transitional	Retain	7 years	10%
Tariff 66 – transitional	Retain	7 years	10%
Tariff 20 (large) – transitional	Retain	7 years	10%
Tariff 22 (small and large) – transitional	Retain	7 years	10%
Tariff 41 (large) – obsolete	Retain	2 years	10%
Tariff 43 (large) – obsolete	Retain	2 years	10%
Tariff 53 (large)	Remove	N/A	N/A