

# Draft Decision: Residential electricity prices from 1 July 2015 for regional Queensland

The Queensland Competition Authority (QCA) sets regulated retail electricity prices for customers in regional Queensland.

Consistent with the government's uniform tariff policy, these prices are based on the cost of supply in south east Queensland.

On 10 December 2014, we released our draft determination indicating the electricity prices we expect will apply in the Ergon Energy network area of regional Queensland, from 1 July 2015. These prices will not apply to customers in south east Queensland.

This fact sheet explains how tariffs 11, 12, 31 and 33 are expected to change in 2015–16. Separate fact sheets explain expected changes for customers on business and transitional tariffs and provide an overview of our draft decision.

The prices indicated in this fact sheet are based on the latest forecasts for network, energy, retail and green scheme costs. It is almost certain that some or all of these costs will change before we release our final determination in May 2015.

Overall, cost pressures are expected to ease and bill increases for typical customers will be moderate compared to recent years. This is largely due to lower growth in network costs, which have been a major driver of retail prices in recent times.

Network charges, which account for about 50% of the typical residential customer's bill, are set by the Australian Energy Regulator (AER). Energex and Ergon have proposed prices for 2015–16 which would see

network charges increase by about 1.2% for tariff 11, excluding costs of the Solar Bonus Scheme. Recent decisions suggest that the AER may approve lower increases. The AER will release its preliminary determination in April 2015.

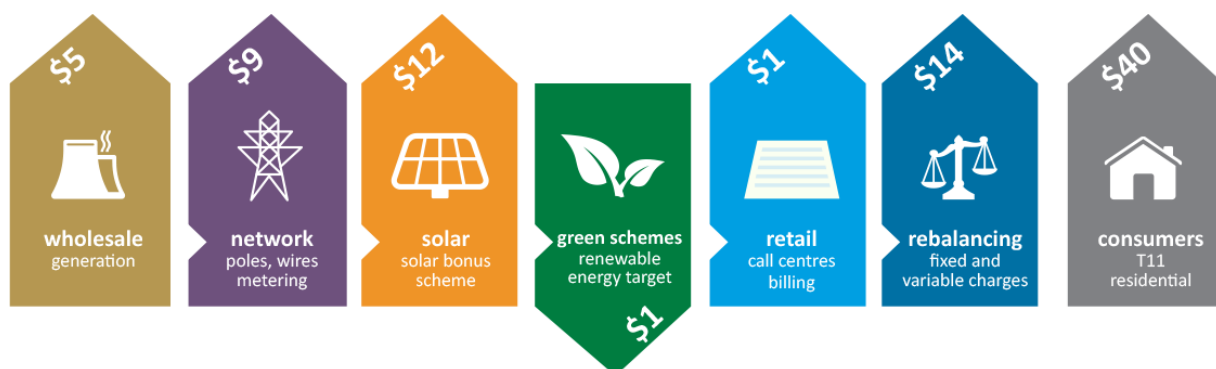
At this stage, we have calculated network charges using Energex and Ergon's draft prices. We will revisit these calculations after the AER releases its preliminary determination.

The costs of the Solar Bonus Scheme continue to have an impact on prices representing about 6% (\$89) of the typical bill for a residential customer on tariff 11 in 2015–16. The Queensland Government has announced that it intends to remove the cost of the Solar Bonus Scheme from electricity prices from 1 July 2015. If and when this change is made, the QCA will revise its prices.

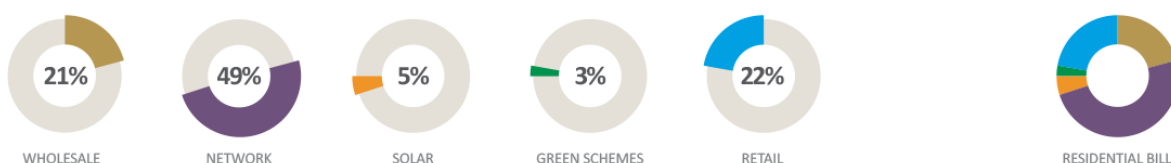
## Tariff 11

Tariff 11 is the most commonly used residential tariff. On current forecasts, the typical residential tariff 11 customer would see their annual bill increase by 2.7% or \$40 in 2015–16. The contribution of the various cost drivers is explained in the diagram below.

A tariff 11 bill has two charges – a daily service charge and a usage charge. The daily service charge is intended to cover the fixed retail and network costs of supplying customers. The usage charge covers the cost of the electricity used by customers and network costs.



Percentage of bill



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The table below shows the expected changes in the service and usage charges for tariff 11 in 2015–16.

Tariff component	2014–15	2015–16	Change %
Service charge (cents/day) <sup>1</sup>	83.414	107.483	28.9 %
Usage charge (cents/kWh) <sup>1</sup>	25.378	23.135	-8.8 %
Annual bill <sup>2</sup>	\$1,467	\$1,506	2.7 %

1. GST exclusive

2. Includes GST and estimated metering charges.

### Tariff 11 re-balancing

In 2015–16, the daily fixed charge for tariff 11 will increase by 24 cents to \$1.07 per day. At the same time, the variable charge for each kWh of electricity will fall by 2.2 cents, to 23.1 cents per kWh.

Since 2013–14, the QCA has been gradually re-balancing the fixed and variable charges to align with actual costs in south east Queensland. The change in 2015–16 is the last stage of this adjustment. For the typical customer, this re-balancing represents around \$14 of the total expected bill increase in 2015–16.

### Treatment of metering costs expected to change

Metering costs are no longer expected to be part of the regulated prices set by the QCA in 2015–16. These costs are expected to be recovered by retailers through a new charge set by the Australian Energy Regulator (expected to be around \$43 per year for tariff 11 and \$13 per year for each of tariffs 31 and 33). The QCA has included the expected cost of this new charge in our calculation of annual bill impacts to ensure a like for like comparison with 2014–15 prices.

### Increases in annual bills for tariff 11 households

We have assessed the likely impact of the tariff increases on four representative households. As the table below shows, lower use customers will see higher percentage increases in their bills. In contrast, higher use customers will likely see their annual bills decrease.

Type of household	Consumption (kilowatt hours)	2014-15 bill	2015-16 bill	Change %
Single person	2,200	\$949	\$1,035	9%
Typical (median)	4,053	\$1,467	\$1,506	2.7%
Four person	6,133	\$2,047	\$2,036	-0.6%
Six person	8,490	\$2,705	\$2,635	-2.6%

### Tariffs 31 and 33

Besides tariff 11, many residential customers also use off-peak tariffs 31 or 33 for water heaters, pool pumps and other appliances. Typical customer bills for these tariffs will increase next year due to the introduction of separate metering charges and, for tariff 31, higher wholesale energy costs. The table below shows how these tariffs are expected to change in 2015–16.

Tariff	2014–15	2015–16	Change in annual bill <sup>1</sup>
Tariff 31 (cents/kWh)	11.740	12.023	7.9%
Tariff 33 (cents/kWh)	18.454	18.474	3.8%

1. Includes GST and expected metering charges.

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### Tariff 12

Customers on the time-of-use tariff 12 will see a new structure which includes peak and shoulder prices that apply in the summer months only. This is the result of moving to an Ergon Energy based network tariff structure, rather than the Energex network tariff structure which has been used to date.

The table right shows the new prices and structure for tariff 12.

The typical tariff 12 customer's annual bill is expected to decrease by around 2.7% in 2015–16.

	Fixed charge (c/day)	Peak rate (c/kWh)	Shoulder rate (c/kWh)	Off-peak (c/kWh)
2014–15	116.609	30.945	20.953	17.457
2015–16	107.483	59.481 <sup>1</sup>	33.879 <sup>1</sup>	17.943

1. Applies during summer months only.

### Help with your bill

If you are struggling to pay your electricity bill, you should discuss your situation with your retailer. Retailers offer support to their customers in hardship.

The Queensland Government offers support to customers in some circumstances. For more information contact the Department for Energy and Water Supply:  
website – [www.dews.qld.gov.au/energy-water-home/electricity/rebates](http://www.dews.qld.gov.au/energy-water-home/electricity/rebates)  
phone – 13 QGOV (13 74 68)