

2013-14 Review of Regulated Retail Electricity Prices

Stakeholder Consultation

Agenda

- Morning (10am to 12pm)
 - Transitional issues
 - Network costs
- Afternoon (1pm to 3pm)
 - Cost of energy
 - Other costs and issues

Electricity in the Press

Unpaid bills drive surge in cut-offs

Price rises leave poor powerless

Battlers hit hard by tariff changes

Cost casts shadow over solar subsidy

COSTLY: Householders face additional burdens to cover the cost of solar electricity feed-in tariffs. Picture: Luke Marsden

Bill shock: Battlers pay more in electricity review

POWER SHIFT

Steven Wardill
STATE POLITICAL EDITOR

PENSIONERS, singles and empty-nesters are in for a shock with fixed electricity fees set to surge. After promising cost-of-living relief

the Newman Government will reform electricity tariffs to ensure prices fully reflect production costs.

In a radical departure from the current system, householders face a massive spike in fixed electricity costs – before even turning on a switch.

It comes in exchange for a lower variable cents-per-kilowatt rate on the common household tariff.

Under the current capped price, householders pay 25¢ per kilowatt with fixed charges of about \$95 annually.

Modelling based on current power

costs shows the c/kWh would fall to 20¢ but the fixed charge will increase to \$287 annually.

A family using 10,000 kWh would save about \$100 a year. However, a small household using 2000 kWh would pay in excess of \$30 more

without using any extra electricity. The fixed component of future bills will represent the average price of distributing electricity, the so-called "pole and wires" which make up about half of total electricity costs.

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households, who are subsidising the current system. Smaller householders will feel the

Minister Mark Vaughan said the Government had chosen a three-tier system to "even out" the excessive impact of reflective tariffs.

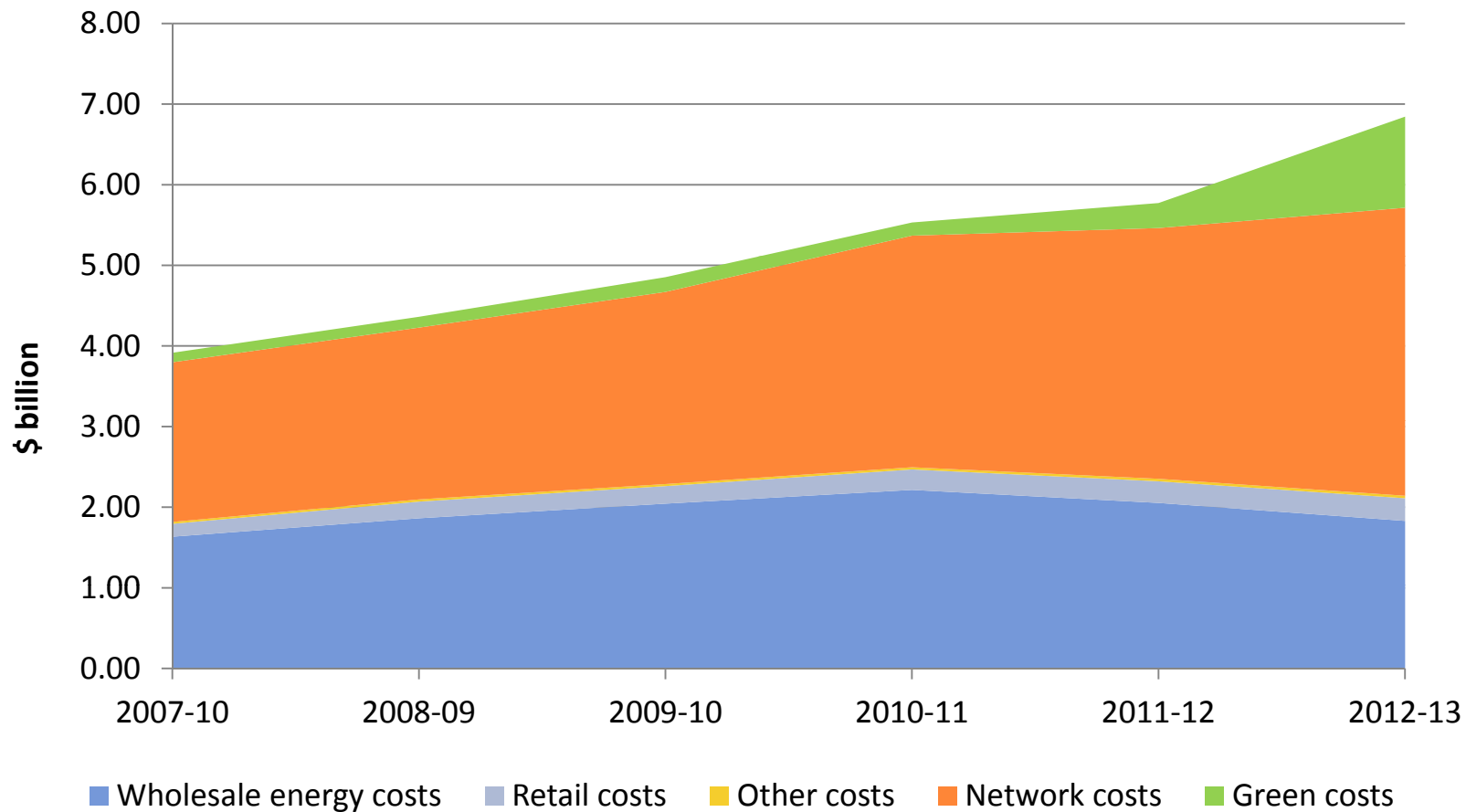
"But we are not going to leave it alone, we are going to deal with the other factors as well."

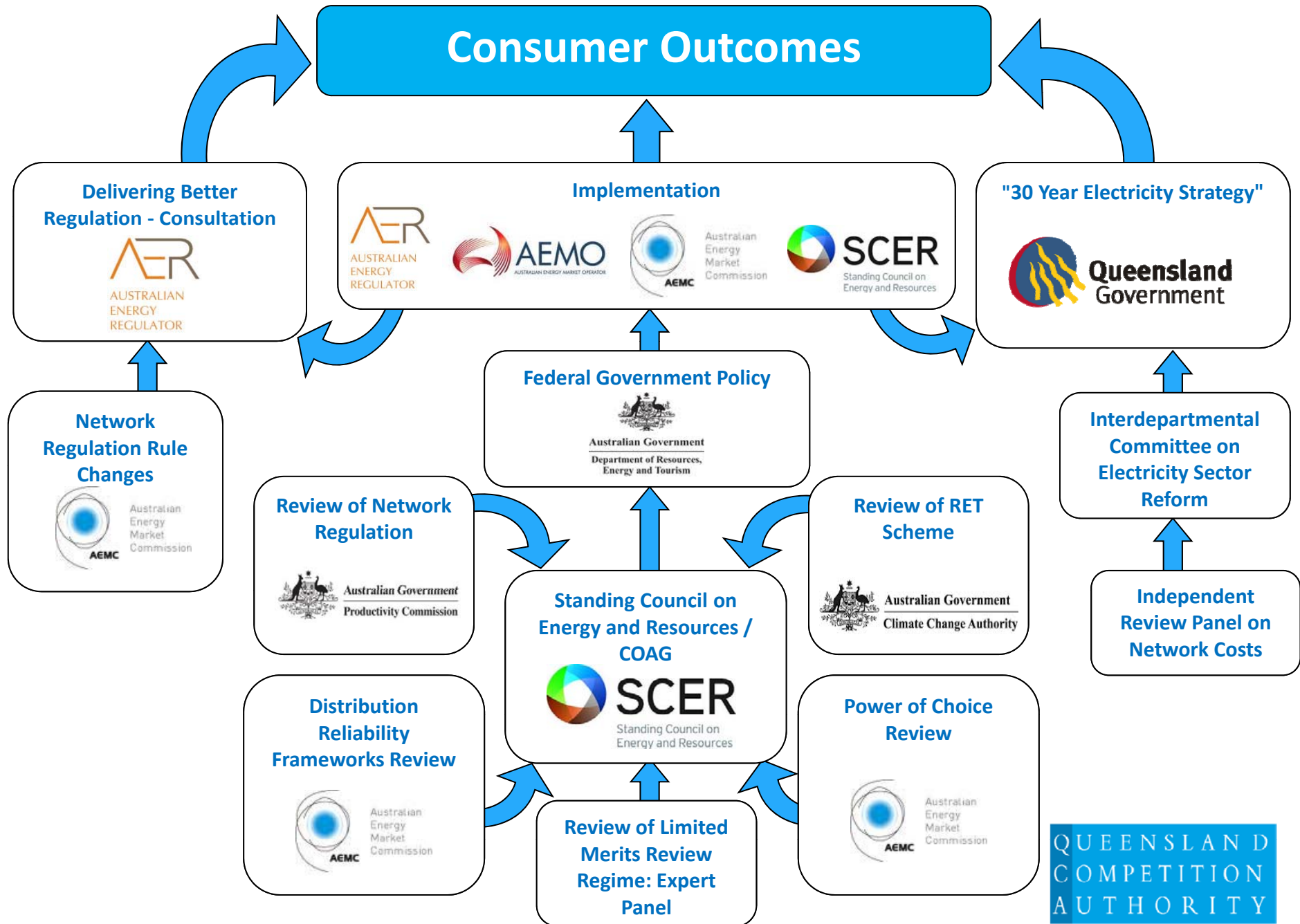
The Government has set up two committees in a bid to find significant efficiencies in its distribution businesses.

Unions fear that this will lead to job losses and further cost-cutting that will in turn affect the reliability of electricity.

Queensland Consumers Association's Ian Jarratt warned a large fixed fee

Costs are increasing





The Authority and its Review

Old Index approach

- Single percent increase applied to all tariffs
- Tariffs themselves not reflective of costs
- Some customers were paying too much
- Others customers were not paying enough

And, as such

- Government amended the Electricity Act
- Requires development of new 'cost reflective' tariffs

Requirements of new approach

- Electricity Act requirements
 - Cost reflective
 - Regard for competition
 - Any other matter in Delegation from Minister
- Minister's Delegation requirements
 - Network(N) + Retail(R)
 - Uniform tariff policy
 - Consider transitional issues

Purpose of this morning

- Discuss timeframes for moving to cost-reflective tariffs
- Find out which obsolete tariffs should be retained in the interim
- Encourage submissions to our review outlining
 - Costs incurred to suit obsolete tariffs
 - Costs involved in changing to new cost reflective tariffs
 - Costs to retailers of retaining obsolete tariffs
- Answer any questions you might have

Issues raised at regional workshops

- Time of use
 - no incentive to consume in off-peak periods
- Demand charges for large customers
 - why are they better than time of use?
- Network costs
 - why are they increasing?
- Transition to cost-reflective tariffs
 - How, when, which tariffs?

Network costs

- Small customers
 - based on Energex network tariffs
 - small differential on TOU tariffs
 - are these tariffs suitable for different customers
 - residential
 - business
 - agricultural
- Large customers
 - based on Ergon Energy network tariffs
 - demand charges for all tariffs
 - no time of use signals
 - are these tariffs suitable for different customers
 - business
 - agricultural
 - sugar mills

Retail costs

- Operating costs
 - is inter-state benchmarking appropriate?
 - escalated by CPI
- Margin
 - is inter-state benchmarking appropriate?
 - are there other factors that the Authority should take into account?

Cost of energy

- The Authority has engaged ACIL Tasman for advice on:
 - wholesale energy costs
 - green scheme costs
 - market fees and charges
 - energy losses

Headroom

- Currently set at 5%
- Appears reasonable on the basis that:
 - new retailers are entering the market
 - discounts are similar or higher than in 2011-12
 - switching rates steady
 - % of customers on market contracts increasing

Cost pass-through

- Three year delegation
- However, single-year determinations
- Still uncertain whether the Electricity Act allows for pass-throughs

Transitional issues

- Which 'obsolete' tariffs can be removed?
 - T21, T37, T53, T63, T64
- What is an appropriate timetable for reaching cost-reflective tariffs?
- How do we implement the catch-up?
- How do we account for underlying costs?
- Could we re-open 'obsolete' tariffs in the interim?

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