

Draft Decision: Business 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, prices for small business customers are based on the costs 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 the main tariffs for business customers are expected to change in 2015–16. Separate fact sheets explain expected changes for residential customers 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 thanks to lower expected growth in network costs, which have been a major driver of retail price increases 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 0.7% for tariff 20, 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 Solar Bonus Scheme continues to have an impact on prices representing 5% (\$114) of the typical bill for a small business customer on tariff 20 and around 6% (\$500) of the typical bill for a small business customer on tariff 22. 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.



Percentage of bill



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Tariffs 20 and 22

Most small businesses on a regulated tariff use one of two tariffs; tariff 20 or 22. The table below shows how these prices are expected to change in 2015–16.

On current forecasts, typical small business customers would see bill increases of 1.3% (\$27) on tariff 20 and 2% (\$158) on tariff 22. The actual bill impacts experienced by individual businesses will vary according to the tariff they use and their consumption.

The contribution of the various cost drivers to the increase in a typical tariff 20 bill in 2015–16 is shown in the diagram on the previous page.

New business time of use tariff – Tariff 22A

A new business time of use tariff (tariff 22A) will be introduced, based on the Ergon Distribution network tariff structure. As a small number of customers may be disadvantaged by the new structure, we propose to retain the old tariff 22 for two years. The old tariff 22 will be closed to new customers from 1 July 2015.

Typical customers moving from tariff 22 to new tariff 22A can expect their annual bills to increase by around 2%. While the peak usage rate for tariff 22A is significantly higher than tariff 22, it will apply during summer months only.

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 tariffs 20, 22 and 22A).

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.

Tariffs 44, 45 and 46

Typical large customers on tariffs 44, 45 and 46 are expected to see their annual bills decrease by between 3% and 4.3%. This is due to lower forecast wholesale energy costs and network charges. The actual bill impacts for these customers could vary significantly according to the tariff they use and their consumption. The table below shows the expected prices for large business customer tariffs.

New seasonal time of use demand tariff - Tariff 50

Tariff 50 will be introduced in 2015–16. This is a large customer demand tariff with time of use demand charges, based on an Ergon Distribution network tariff.

Transitional tariffs

Around 36,000 customers are supplied under transitional or obsolete tariffs. As noted above, the uniform tariff policy means small business tariffs for regional customers are set well below the actual costs of supply. In many cases, transitional tariffs recover even less of the costs of supply than these small business tariffs.

In 2013, we proposed to phase out most transitional tariffs in 2020. Two tariffs with relatively few customers and offering prices similar to other business tariffs – Tariff 41 (large) and 43 (large) – will be removed from 1 July 2015.

Changes to tariffs 20 and 22 (excluding GST)

		Fixed charge (c/day)	Peak rate (c/kWh)	Shoulder rate (c/kWh)	Off-peak/flat (c/kWh)	Change in typical annual bill(%) ¹
Tariff 20	2014–15	140.437	-	-	23.585	
	2015–16	131.088	-	-	23.913	1.3%
Tariff 22	2014–15	140.437	25.598	-	18.918	
	2015–16	131.088	25.700	-	19.739	2.0%
Tariff 22A	2015–16	131.088	43.524	34.791	20.634	2.0% ²

1. Includes GST and expected impact of metering charges.

2. Based on a typical customer moving from tariff 22 to the new tariff 22A.

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Over the next five years, the QCA will adjust the remaining transitional tariffs based on changes to standard business tariffs. Over time, the gap between transitional and standard business tariffs will need to narrow so that the final adjustment in 2020 (when transitional tariffs expire) is feasible for customers.

Assuming that the price increases calculated for standard business tariffs occur, the QCA proposes to increase all transitional tariffs by 5% in 2015–16. If these anticipated price increases for standard tariffs do not eventuate, the QCA will reassess its position on transitional tariffs.

Large business customer tariffs for 2015–16 (excluding GST)

Retail tariff	Fixed charge (c/day)	Demand charge - flat/off peak (\$/kW/mth)	Demand charge - peak/shoulder (\$/kW/mth)	Variable rate - flat (c/kWh)
Tariff 44	5,144.754	33.393	-	10.511
Tariff 45	15,150.842	32.057	-	10.511
Tariff 46	44,096.517	29.496	-	10.511
Tariff 47	38,737.668	21.145	-	9.968
Tariff 48	39,163.400	21.145	-	9.968
Tariff 50	5,215.642	12.616	61.230	12.069