

Queensland
Competition
Authority

FURTHER CONSULTATION

2015-16 Retail Electricity Prices



Draft determination

- Based on previous Government's decision to remove price regulation in SEQ from 1 July 2015
- QCA based prices on:
 - SEQ costs for residential and small business tariffs
 - SEQ cost levels, with Ergon tariff structures, for time-of-use tariffs 12 and 22
 - Lowest regional costs for large customer tariffs

Draft determination methodology

- Methodology largely unchanged from previous years
- Network costs based on draft tariffs and prices supplied by distributors
 - Tariffs 12 and 22A were based on Energex fixed charges and reduced Ergon consumption charges
- Wholesale energy costs were based on forecasts by ACIL, using a hedging, or market-based, approach
- Retail operating costs and margin estimated through benchmarking
- Headroom maintained at 5%

Since the draft determination...

- 28 April 2015:
 - New government announced that price regulation would be retained in SEQ for 2015-16
 - We received new delegation to set regulated prices throughout state
- 4 May 2015 - Further consultation paper released
- 18 May 2015 – Submissions due
- 12 June 2015 - Final determination released
- 1 July 2015 – New prices take effect

New delegation – what's changed?

- Requires the QCA to set prices across Queensland
- Terms of reference largely the same so there will be minimal impact on methodology
- Minor change to the UTP definition:

Wherever possible non-market customers of the same class should pay no more for their electricity regardless of geographic location

- QCA must consider basing T12 and T22 on Energex network tariff structures in SEQ and Ergon structures for regional customers.

Issues

Residential and small business customers

- Headroom will be considered with respect to SEQ competition (as with previous determinations)
- No plan to change our approach to flat and regional customer controlled load tariffs
- Considering separate SEQ and regional retail tariffs for T12 and T22
 - Considering limit on tariff switches to once per year
- Tariff 13 to be removed

Large customers and street lighting

- No plan to change our approach

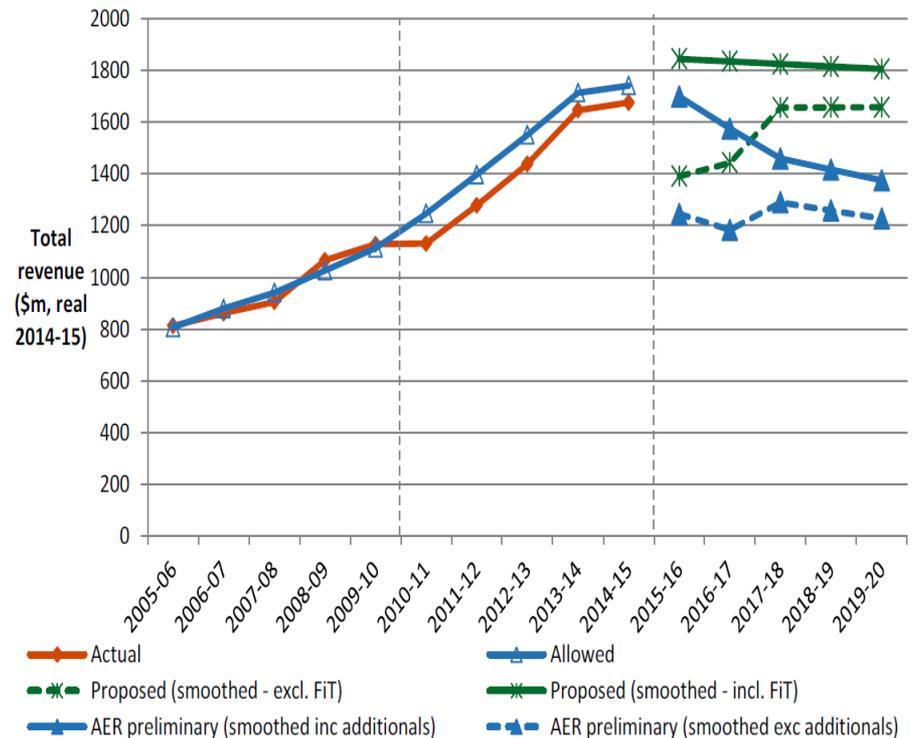
Seasonal Time of Use Demand tariffs

- Ergon Distribution plan to introduce small customer STOU network tariffs in 2015-16
 - summer demand charge during peak times, winter demand charge
 - flat all year energy charge
 - no fixed charge at the distribution level
- Not mentioned in the delegation
- No Energex equivalent to apply UTP
- Risk that the AER may not approve STOU tariffs as proposed
- Would require new meters and billing system upgrades

2015-16 Network costs

- AER released their draft revenue determination for 2015-2020 on 30 April 2015
 - Energex revenue reduced by 22.6%
 - Ergon revenue reduced by 27%

Energex's past total revenue, proposed total revenue and AER preliminary decision revenue allowance (\$ million, 2014-15)



2015-16 Network costs

- AER will release their final determination for 2015-2020 on 31 October 2015
 - Will not affect 2015-16 network prices
- Distributors will submit pricing proposals on 21 May 2015
- AER will approve pricing proposals prior to 30 June 2015
- Expect network costs for the QCA's final determination will be based on distributor pricing proposals

Other issues

- Updated data for energy costs
- Reconsidering separate prudential capital cost allowance
- Pass-through for 2014-15 SRES costs
- Will consider transitional tariffs in light of final prices

Final determination will be released by 12 June 2015

Queensland
Competition
Authority

FURTHER CONSULTATION

2015-16 Retail Electricity Prices

Submissions close 18 May 2015

Questions?

