Queensland Competition Authority

FACT SHEET – 2017–18 small business electricity prices for regional Queensland — final determination

Note: This document refers to a decision made under a superseded delegation. The notified prices in this document will not apply.

Why is the QCA setting prices?

The Minister for Energy, Biofuels and Water Supply, the Hon Mark Bailey MP, has delegated the task of setting regulated prices to the QCA.

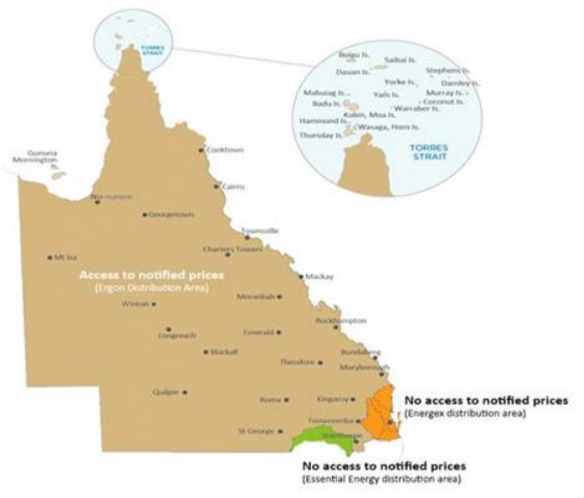
How does the QCA set prices?

The QCA is required to set prices in accordance with the requirements of the Electricity Act and the Minister's delegation.

The QCA does so by setting prices using a cost build-up methodology. Consistent with that methodology, our final determination is based on network charges regulated by the Australian Energy Regulator (AER) and the latest information from competitive wholesale and retail electricity markets.

Who can access regulated small business electricity prices?

Only small businesses located in the Ergon distribution area have access to regulated electricity prices.



Does the QCA consider affordability when setting electricity prices?

Under the Queensland Government's Uniform Tariff Policy (UTP), the QCA sets regional small customer prices based on electricity supply costs in south east Queensland. As a result, most residential and small business regional customers pay electricity prices which are significantly below the cost of supplying them with electricity. In total, the Queensland Government subsidises regional electricity prices in excess of $500m each year. The QCA also maintains legacy transitional and legacy obsolete tariffs for some regional customers.

Why have regulated prices changed between 2016–17 and 2017–18?

The largest drivers of changes to regulated electricity prices between 2016–17 and 2017–18 are energy costs and network costs.

Wholesale energy costs are expected to increase significantly. This is primarily because of the tightening supply-demand balance within the NEM, which has been caused by:

- increased demand from in-field gas compression associated with LNG export facilities in Queensland
- the closure of Hazelwood Power Station in 2017 and the continued operation of the Portland aluminium smelter in Victoria
- little new renewable energy capacity entering the market in 2017–18—particularly in Queensland.

Network costs have fallen, however the decrease has not been enough to fully offset the increase in energy costs.

Why are 2017–18 regulated prices higher than the QCA forecast in its draft determination?

Consistent with our approach in previous price determinations, we have updated the expected costs of supply between the draft and final determinations. Consequently, the 2017–18 regulated prices are different to those in the draft determination.

The key driver of the change between draft determination and final determination has been wholesale energy costs, which have increased substantially. The increase largely reflects a marked change in market participants' expectations about future spot prices, market volatility, and the demand supply balance (particularly in summer 2017–18).

For more information on energy costs and how they have changed please refer to our energy cost fact sheet on our website www.qca.org.au.

How will my bill change in 2017–18?

The impact of 2017–18 regulated prices will depend on the tariff or tariffs you are on, as well as your electricity consumption. A typical small business on the main small business tariff 20 will pay $2,649 on their 2017–18 annual bill. This represents an 8.2 per cent increase from the 2016-17 annual bill of $2,449. For a typical customer on tariff 22A, the increase will be 7.7 per cent.

Impact of the change in regulated prices on typical small business customers (GST inclusive)