Queensland
Competition
Authority

FACT SHEET | 2013–14 electricity prices

The Queensland Competition Authority will set regulated electricity prices in Queensland for the three years starting from 1 July 2013.

After eight months of public consultation and analysis the Queensland Competition Authority (QCA) released the first of its annual price determinations on 31 May.

The determination sets 2013–14 prices for 15 regulated tariffs, while the Queensland Government has set prices for nine tariffs that will be phased out over the next seven years. However, most residential customers in south east Queensland have switched to market contracts which are usually cheaper than regulated tariffs. Many large businesses are also paying market rates.

This fact sheet explains how electricity prices will change in 2013–14. More detailed fact sheets are available for residential, business, farm and irrigation tariffs.

Your electricity bill

Supplying electricity to homes and businesses involves many stages.

The costs at each stage are determined by either regulation or competition. Generators sell wholesale electricity into a competitive national market: prices reflect supply and demand. The main cost are networks or the 'poles and wires' which deliver electricity from power stations to homes. Network costs are set every five years by the national regulator, the Australian Energy Regulator. The carbon tax and green schemes are government policies adding costs. The QCA sets an allowance for retail costs as part of its annual determination.

With a few historical exceptions, Queensland tariffs are priced to recover the full cost of supplying electricity to customers (i.e. tariffs are "cost-reflective").

Setting prices below the real costs of supply would be unsustainable and jeopardise safe, reliable supply.

Rising costs means rising prices

Unfortunately, the costs of each of these components are rising.

Network costs in south east Queensland are forecast to rise by 19% in 2013–14. Higher network charges, including the solar subsidies and network costs deferred in 2012-13 because of the tariff 11 freeze, account for 59% of the increase in 2013–14 for the typical residential customer.

The cost of buying electricity from the competitive national market will also rise, accounting for 11.2% of the increase for the typical residential customer. 2013–14 will also see the first major increase in retail operating costs since 2009.

Residential Customers

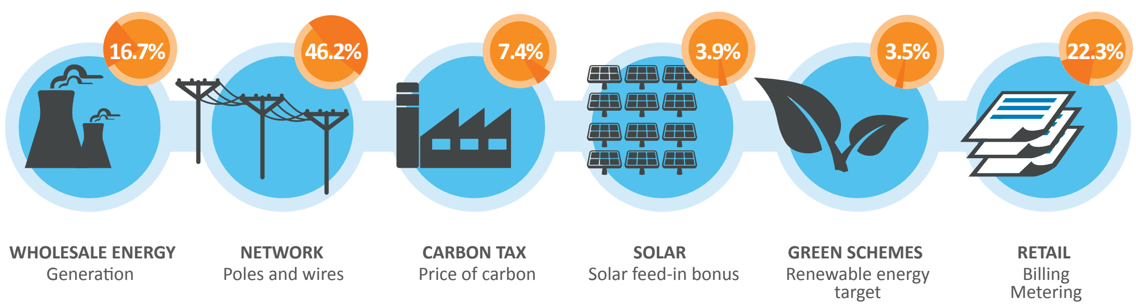
The cumulative effect of these cost increases will be significant. The effect on customers will vary according to how they use electricity.

The typical customer on the main regulated residential tariff (tariff 11) will see an increase of 22.6% in their annual bill. This may mean an increase of $268.

Many residential customers benefit from using lower off-peak tariffs for water heating and controlled loads such as pool pumps (tariffs 31 and 33). These tariffs will also increase in 2013-14.

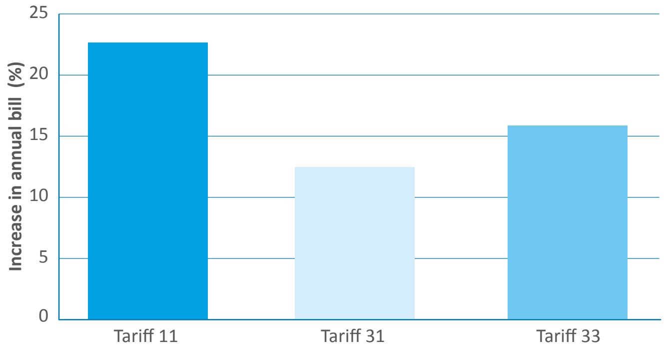
The increases for residential tariffs are shown in the chart below.

Breakdown of a typical residential bill 2013–14



Most residential customers in south east Queensland have switched to market contracts. These contracts will be affected by rising industry costs as much as regulated tariffs. However, the actual increase on these contracts will vary as retailers compete to acquire or retain customers. Market contracts can offer discounts of up to 13% to the regulated tariffs.

A separate fact sheet provides more details.

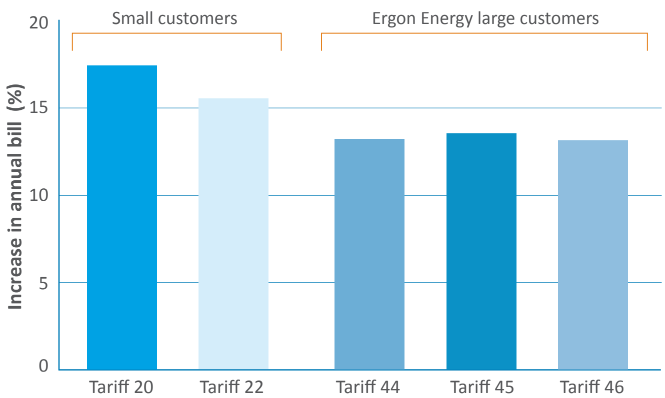


Business customers

Business customers will also be affected by rising costs.

Unlike residential customers, businesses did not benefit from the 2012–13 tariff freeze. Having paid the full network charges in 2012–13, business customers will face a lower increase in network charges in 2013–14 than residential customers. This difference largely explains the lower percentage increase in business tariffs compared to residential tariffs. The chart below shows the expected increases for the main business tariffs.

A separate fact sheet provides more details.



Transitional tariffs

Nearly all Queensland tariffs are priced to cover the actual costs of supply. However, there are nine business tariffs which fall short, sometimes well short, of being cost-reflective.

In some cases, fixed charges under these tariffs are less than half of the cost-reflective rates paid by other regional businesses. Off-peak prices can be considerably less than the cost-reflective rate.

These tariffs are used by more than 38,000 businesses, mainly irrigators and regional businesses.

The tariffs have been closed to new customers since at least 1 July 2012 (some tariffs were closed as early as 1995 and 2007). The QCA recognises that many businesses would struggle to move immediately to the cost reflective tariffs being paid by other customers. In 2012, the QCA proposed a 12 month transition with all tariffs ending on 1 July 2013.

After extensive consultation with affected businesses, the QCA has now set a seven year transition (i.e. to 1 July 2020) for nearly all customers. This long transition will allow businesses to recover the costs of past investments.

The QCA will also allow new customers to access most of these transitional tariffs.

Unlike other tariffs, transitional tariffs will be set by the Government in 2013-14 with an increase lower than other business tariffs.

A separate fact sheet provides more details.

Changing your tariff

Customers who can change from regulated tariffs may wish to consider testing the market.

The QCA price comparator can help customers compare electricity prices in Queensland. It is free to use and is available on our website www.qca.org.au

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 visit the Department for Energy and Water Supply’s electricity concessions page or call them on: 13 QGOV (13 74 68).