FACT SHEET — 2017–18 residential electricity prices for regional Queensland — June final determination

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.

Why has the QCA released a second determination for regulated prices for 2017–18?

Following the release of the previous final determination on 31 May 3017, the Queensland Government directed Energy Queensland to remove charges for the Solar Bonus Scheme from network prices. The Minister then issued the QCA with a new delegation, so that the QCA could incorporate the revised network tariffs into regulated prices for 2017–18. The regulated prices published on 16 June 2017 replace those published on 31 May 2017.

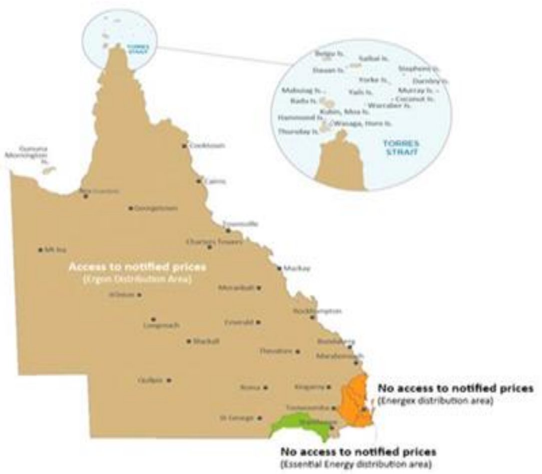
How does the QCA set prices?

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 residential electricity prices?

Only residential customers 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.

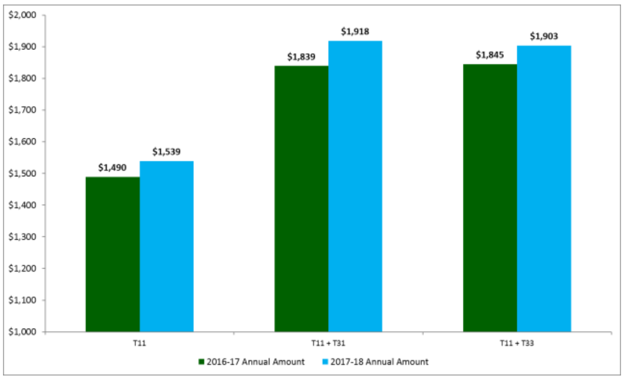
Network costs have fallen considerably, aided by the removal of the Solar Bonus Scheme from network charges. However, the decrease has not been enough to offset the large increase in energy costs.

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 household on the main residential tariff 11 can expect to pay $1,539 on their 2017–18 annual bill. This represents a 3.3 per cent increase from the 2016-17 annual bill of $1,490. For a typical customer on a combination of tariff 11 and controlled load tariffs 31 or 33, the increase will be 4.3 per cent and 3.1 per cent respectively.

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



Note: The annual amounts have been rounded to the closest dollar.