

# Draft Decision: Electricity prices from 1 July 2014

## The Queensland Competition Authority (QCA) sets regulated retail electricity prices in Queensland.

On 11 December we released our draft decision on the electricity prices to apply from 1 July 2014.

The draft decision explains what we expect, at this stage, will be the regulated prices in 2014–15.

Our final decision will set prices for 2014–15 and will be released by 31 May 2014.

Most residential customers in south east Queensland have switched to market contracts which are often cheaper than regulated tariffs. Many large businesses are also paying market rates. However, regulated prices are still important as they effectively set maximum prices for most customers.

This fact sheet explains how electricity prices are expected to change in 2014–15. More detailed fact sheets are available for residential, business and transitional tariffs, as well as how repeal of the carbon tax will affect electricity prices.

### Your electricity bill

There are three main stages in supplying electricity to homes and businesses:

- Generating electricity in power stations for sale to retailers
- Delivering electricity through 'poles and wires' to customers
- Selling electricity by retailers to customers.

Customers' bills reflect all the costs involved in supplying these services. Customers also pay for the costs of 'green schemes' including the carbon tax, the renewable energy target and the solar bonus scheme.

### Rising costs mean rising prices

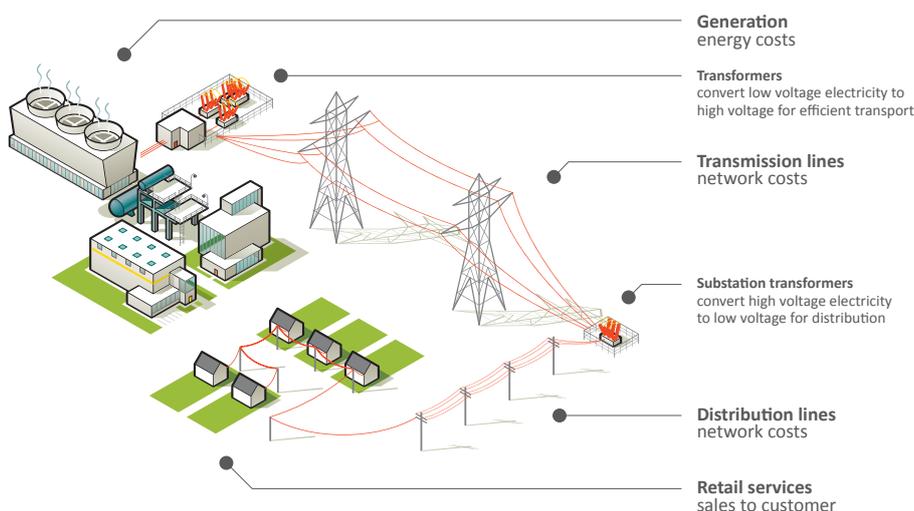
Unfortunately, many of the costs outlined above are rising.

The cost of generating electricity (i.e. wholesale energy costs) is forecast to rise by 29% in 2014–15 (assuming the carbon tax is not repealed). Higher wholesale energy costs account for about 35% of the expected increase for the typical tariff 11 residential customer.

Queensland's Solar Bonus Scheme is the next major cost driver, accounting for about 30% of the expected increase for the typical tariff 11 residential customer. The scheme pays generous feed-in tariffs to residential customers who sell electricity back into the grid from their solar panels.

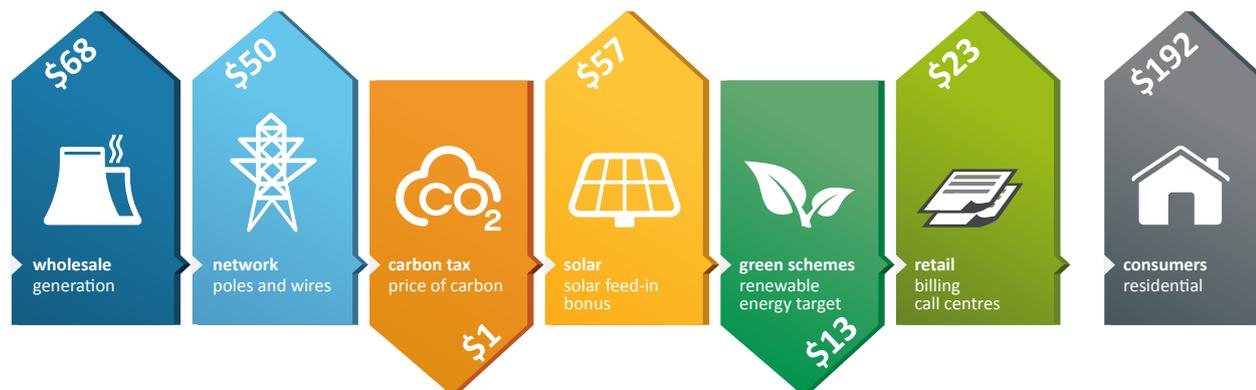
Network charges for the 'poles and wires' account for around 26% of the increase. Network charges have been rising sharply in recent years and represent almost half of the typical electricity bill.

### Components of the energy supply chain



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## Breakdown of a typical residential bill 2014–15



### Percentage of the bill



\* Totals may not add due to rounding. Does not show \$8 in additional costs – rebalancing fixed and variable charges

## The carbon tax

This year, the carbon tax adds about 8% to the typical residential electricity bill. As the tax is likely to be repealed during 2014–15, the QCA provides in the draft decision two sets of regulated prices for each tariff; one including the carbon tax and one without the carbon tax. The QCA proposes that the second set of prices would apply if the tax is repealed.

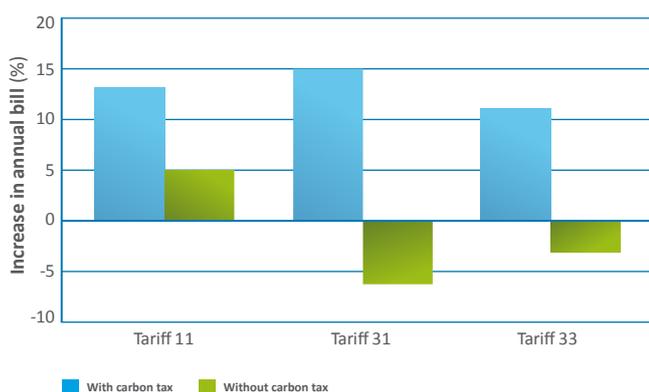
Please see our carbon tax fact sheet for more information.

## Residential customers

Higher costs and therefore higher prices will affect all customers if the carbon tax remains. The exact impact will vary from customer to customer according to how they use electricity.

The typical residential customer, consuming about 4,100 kWh per annum, is likely to see an increase of 13.6% or \$192 in their annual bill (if the carbon tax continues).

## Change in electricity bills in 2014–15 for typical residential customers



If the carbon tax is repealed from 1 July 2014, the increase would be 5.4% or \$76.

Most residential customers benefit from using cheap off-peak tariffs for water heating and controlled loads such as pool pumps. These tariffs (tariffs 31 and 33) will increase if the carbon tax continues.

The chart below shows changes in costs for the typical residential customer with and without the carbon tax.

A separate fact sheet provides more details.

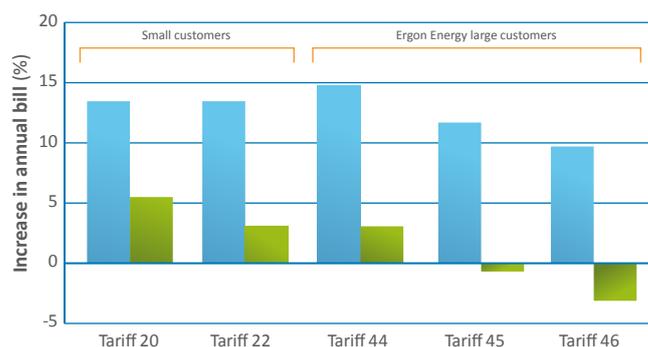
## Business customers

Business customers will also be affected by rising costs.

The graph below shows bill increases for typical customers on the five main business tariffs. If the carbon tax is removed, most bills would still increase but by much smaller amounts.

A separate fact sheet provides more details.

## Change in electricity bills in 2014–15 for typical business customers



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## Transitional tariffs

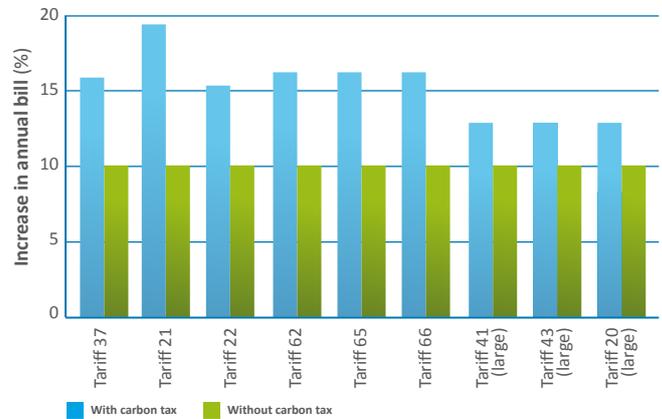
It is important that Queensland electricity tariffs are 'cost-reflective': that is, that prices cover the costs of supplying electricity to customers. This ensures reliable, long-term supply and avoids one group of customers subsidising other customers.

There are two main exceptions. The State Government's uniform tariff policy subsidises retail electricity prices for households and small businesses in regional Queensland to align with the cheaper retail prices in south east Queensland. In 2013–14, this subsidy is expected to cost \$620 million.

The other exception are nine 'transitional tariffs' paid by about 38,000 customers, mostly irrigators and regional businesses. These tariffs fall short, sometimes well short, of covering the cost of supplying electricity to customers. The QCA proposes to phase out most of these tariffs in 2020.

A separate fact sheet provides more details.

## Change in electricity bills in 2014–15 for customers on transitional tariffs



### Changing your tariff

Customers in south east Queensland are encouraged to shop around for a better deal. Our independent price comparator can help compare electricity prices offered by retailers. It's free to use and available on our website [www.qca.org.au](http://www.qca.org.au)

Unfortunately, retailers do not generally make offers to residential customers in regional Queensland because regulated prices are subsidised. The Government is looking at ways to introduce competition in regional areas, so this may change in future.

### 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 on their website, [www.dews.qld.gov.au/energy-water-home/electricity/rebates](http://www.dews.qld.gov.au/energy-water-home/electricity/rebates) or call them on: 13 QGOV (13 74 68).