

Draft Decision: Your electricity bills and the carbon tax

The Queensland Competition Authority (QCA) sets retail electricity prices for customers who have chosen to stay on regulated tariffs rather than switch to market contracts offered by retailers.

Nearly all residential customers outside south east Queensland are on regulated tariffs; about 30% of customers in south east Queensland remain on regulated tariffs.

The prices set for regulated tariffs reflect the costs involved in supplying electricity to customers. One of these costs is the carbon tax. In 2013–14, the carbon tax costs the typical residential customer on tariff 11 about \$120.

The Commonwealth Government wishes to repeal the carbon tax with effect from 1 July 2014. It is possible that the tax will be repealed during the second half of 2014. Unfortunately, it is uncertain if and when repeal of the tax will occur.

In response to this uncertainty, the QCA has prepared two sets of prices for each regulated tariff in 2014–15. The first set of prices includes the carbon tax and is expected to apply from 1 July 2014. If the tax is repealed in 2014–15, a second set of prices removing the carbon tax from regulated tariffs would be applied.

In our draft decision, released on 11 December, we explain what we expect will be the impact of removing the carbon tax on regulated tariffs in 2014–15.

This fact sheet is a summary of the analysis in the draft decision.

How will my bill be affected?

Removing the carbon tax will undoubtedly save customers money. The typical tariff 11 residential customer can expect to save about \$116 over twelve months if the carbon tax is removed.

However, removing the carbon tax affects only one of the factors driving electricity prices.

Unfortunately, most other costs are rising. As noted in our overview fact sheet, wholesale energy costs, solar feed-in tariffs and network charges account for

about 70% of the typical tariff 11 residential bill. In 2014–15, these three factors are expected to increase by a combined 18% or \$175. The increase in these costs means that electricity bills for typical customers supplied under most tariffs will still increase even if the carbon tax is removed.

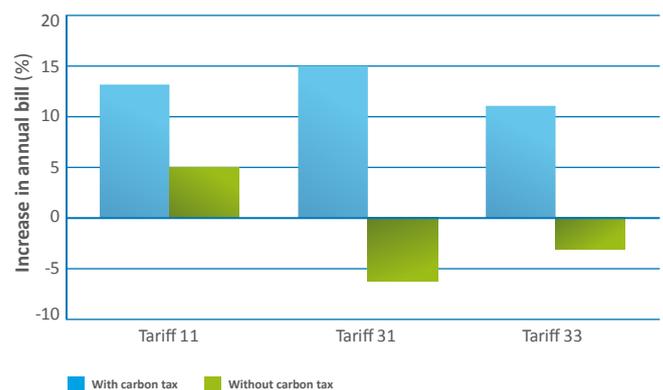
The draft decision explains the impact on typical residential and business customers of retaining or removing the carbon tax. The impact on individual customers will vary depending on their consumption.

Residential customers

For the typical residential customer, removing the carbon tax would cut the 2014–15 increase in tariff 11 prices from 13.6% to 5.4%. If the carbon tax was removed on 1 July 2014, the typical tariff 11 customer would see their 2014–15 bill increase by \$76 rather than \$192.

For more information on the draft prices for 2014–15, please see our household, business and transitional tariffs fact sheets.

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



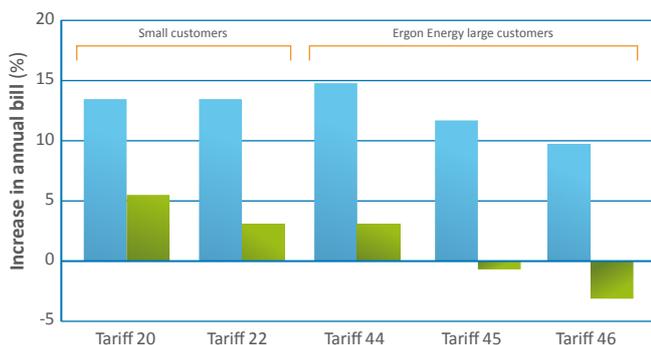
Most residential customers on tariff 11 also use an off-peak tariff (tariffs 31 and 33). These tariffs do not include a fixed service charge (paid as part of tariff 11 by the customer) and therefore would actually decrease with removal of the carbon tax. The typical customer on tariff 31, for example, could expect a saving over 12 months of \$18.

Draft Decision: Your electricity bills and the carbon tax

Business customers

Business customers could expect similar changes in their annual bills. Most small businesses buy electricity under tariff 20: their bills would increase by 13.3% (with the carbon tax) or 5.3% (with the carbon tax removed). Removing the carbon tax would save the typical small business on tariff 20 \$152.

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



Transitional customers

Customers on transitional tariffs would also save money with the removal of the carbon tax. However, it is also proposed to set a minimum percentage increase for these tariffs in 2014–15 to contain the significant public subsidy paid to these customers. This minimum increase would reduce the benefit of removing the carbon tax.

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

